

2019 Responsibility Report



The Board of Directors and the President of Systembolaget AB, corporate ID number 556059-9473, hereby present the annual accounts, including the Corporate Governance Report and the Sustainability Report, for the 2019 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 3, 6-19, 21-75 and 113-142 of this document. The Sustainability Report has undergone a combined review by the auditors.

The legally required annual accounts, comprising the Directors' Report and the financial reports, are accordingly presented on pages 2, 4-5, 20 and 76-112.

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Alcohol is not like other products.

We are there for everyone in Sweden and our purpose is to limit the harmful effects of alcohol in society.

We shall, through our monopoly, responsibly and with a high standard of service, sell alcoholic drinks and alcoholic non-beverage preparations, and provide information on the harmful effects of alcohol.

The year in brief

- A new study of the costs and benefits of alcohol conducted by Ramboll shows that the total cost of alcohol consumption in Sweden is SEK 103 billion per annum. Alcohol is involved in one out of every two cases of abuse and approximately 660,000 medical appointments are alcohol-related.¹
- CAN (the Swedish Council for Information on Alcohol and Other Drugs) was commissioned by Systembolaget, BRIS, Trygga Barnen, Maskrosbarn, Childhood, and IQ to produce a literature survey within the framework of the shared initiative, Hangover-Free Childhood, mapping how many children are growing up with a parent who has alcohol problems.² The results of the study show that 320,000 children in Sweden are suffering due to a parent's alcohol consumption. The goal of the initiative is to improve conditions for children suffering as a result of an adult's alcohol consumption.
- The focus of this year's Alcohol Report was on alcohol and working life. A new SIFO survey revealed that over half of the 2,000 people surveyed suspected that a colleague or manager had alcohol problems. Only 26 per cent of them informed a manager or HR employee.³
- Around 40 of Systembolaget's suppliers have signed up to the Drinks Industry's Climate Initiative, which is a partnership between the Swedish Spirits & Wine Suppliers' Association (SVL), the Brewers of Sweden Association, and Systembolaget. The aim of the initiative is for the participants to measure their CO₂ footprint and to set individual and shared goals. The participants have reported their climate footprints through a shared tool.
- The company management team was expanded to include Directors for the Strategy & Offering, and Product Range, Procurement, and Supply Chain, and Communication Departments, and the newly instituted E-commerce Department. This reinforcement is designed to enable Systembolaget to improve the way in which it meets both its customers' requirements and the outside world's expectations.
- Professor Peter Allebeck was awarded Systembolaget's 2019 Achievement Prize. He received the prize for his significant work in the field of alcohol research that has contributed to society's efforts to reduce alcohol-related harm.
- A beta version of our new online store was released during the year, and is designed to make it easier for the customer to find information, order goods, and choose their delivery method.
- Awards for Systembolaget:
 - Winner of Medieakademin's Confidence Barometer, which measures the public's confidence in media companies, institutions, and companies. 79 per cent had confidence in Systembolaget.⁴
 - Winner of ServiceScore's Best Service award.⁵
 - Winner of the Web Service Award in the best intranet category.
- Anders Ehrling and Ulrika Eriksson were appointed as Members of the Board at the Annual General Meeting held on 11 April.
- Resolution passed at the Extraordinary General Meeting held on 11 December 2019: to amend the Articles of Association and Owner's Instruction in line with the Parliamentary decision of May 2019 whereby non-beverage alcoholic preparations are to be subject to Systembolaget's monopoly. Parliament's decision also resulted in the updating of the agreement between Systembolaget and the State on 1 July, such that the company was granted the permanent right to offer home delivery services.
- This year's Customer Satisfaction Index reached a new record high of 85.1 (84.6).
- Proof of age checks were carried out in 95.2 per cent (95.6) of cases.
- The Opinion Index figure for the year was 73.9 (76.5).
- The return on equity was 15.5 per cent (11.4), which exceeds the Owner's return requirement.
- The equity/assets ratio for the year was 25.9 per cent (25.7).
- Systembolaget's sales volumes totalled 512 m (505) litres.

- Alcohol consumption in 2018 totalled 8.8 (9.0) litres of pure alcohol per person (aged 15 and older).⁶
- Systembolaget's total share of alcohol acquisition in 2018 was 65.6 per cent (62.8).
- Net sales increased to SEK 32,211 m (30,907).
- The operating profit increased slightly to SEK 229 m (227) and was affected both by an increase in the gross profit resulting from increased sales volumes, and by the higher selling and administration expenses due to investments in the digital customer interaction.
- The net profit for the year increased to SEK 240 m (180).



Chairman's Statement

Being Chairman of Systembolaget means that I am tasked with leading and progressing the work of the Board – and with keeping a number of different perspectives in mind when we set our direction and take decisions. It involves a permanent helicopter perspective, given that we operate in an ever more rapidly changing world where it is vital that we are always one step ahead.

When the Board discusses issues, it takes external factors into account – not least how Systembolaget can and must work to ensure the UN's global goals are met by 2020, and with a particular focus on Good Health and Well-Being. This goal goes hand in hand with the way in which Systembolaget works, in practical terms, with its social mandate – though responsible selling, support for research, and raising awareness about the harmful effects of alcohol. Our work with the global goals also goes hand in hand with the guidelines we have received from our Owner – to act as role models in the sustainability sphere.

These two starting points – our mandate and sustainability – are the basis for our work when we, in cooperation with Systembolaget's company management, set out our strategy over the past year for the period up to 2023. It's been an exciting process, with creative heights and ambitious goals.

We recognise the need for Systembolaget to keep developing if we are to continue to have satisfied customers and widespread popular support for our monopoly in the future. Customers and employees alike increasingly want and expect the company to engage with solutions to the global sustainability challenges. As a key player in the drinks industry, Systembolaget has a responsibility to identify new and sustainable solutions, and the Board and I accordingly envisage substantial potential, going forward, for the development of Systembolaget's sustainability work. It's not just about the climate and the environment: it's about much more than that.

We want Systembolaget to be a well-known role model in the sustainability sphere, to be a company that goes all out in helping to build a better future. It's an ambitious goal, and one that imposes obligations. It is also one that demands a great deal of our internal work, and we have accordingly decided to integrate sustainability aspects into every decision taken within the operations. We also need to communicate our sustainability work externally with greater clarity, so that we can act as an inspirational example for the outside world.

PUBLIC HEALTH IN A DIGITAL WORLD

Systembolaget's primary purpose is to make a positive difference to public health in Sweden. Our role is to act as an alcohol policy tool with the aim of limiting the availability of alcohol and selling without profit maximisation, in order to limit the harmful effects of alcohol. We have a monopoly on retail sales of alcohol – and this



applies equally to the sale of alcohol through e-commerce. At the same time, we are being challenged by online operators who sell alcohol to Swedish consumers through illegal distance selling. We, and many with us, are hoping that we will soon have legislative clarity that protects our monopoly digitally as well.

Systembolaget has continued the development of our e-commerce solution during the year. Our customers expect the same good customer interaction, whether they choose to shop in our stores or online. The Board regards this as an important step forward, but also

believes that it is equally important that we build an e-commerce system that focuses on the public health aspect. It is, therefore, also a given that our e-commerce selling process must be as responsible as that in our stores. We want to be an e-commerce retailer whose operations are permeated by consideration and, like our other sales channels, does not encourage additional sales or consumption.

For me, it is also important that we highlight the issue of diversity in the workplace, whether it involves origin, sexual orientation, age, gender, or disability. Systembolaget must continue to work to reflect society, and our goal for 2023 is for Systembolaget to be one of Sweden's best workplaces. Achieving this requires our workforce to be characterised by a wide range of competences and backgrounds. The journey continues.

BUSINESS-MINDEDNESS AND GOVERNANCE

Our owner, the State, sets goals for our operations and directives for our mandate. Systembolaget's governance is based on both financial and non-financial goals and key performance indicators. The mandate goals are the primary ones, but the secondary economic goals are also important. We are measured by our success in relation to traditional key performance indicators, such as return on equity, equity/assets ratio, and cost-effectiveness. Systembolaget has no profit-maximising purpose, but our Owner and the Board clearly demand that our operations are conducted in a business-minded way. We are also, in addition to the financial key performance indicators, measured by how satisfied our customers are (CSI, Customer Satisfaction Index), and our Owner also monitors how the level of total alcohol consumption in Sweden and Systembolaget's share thereof develops.

Systembolaget was ranked number 1 in the Confidence Barometer during the year, which means that we are the company or institution in Sweden in which people have the greatest confidence. Enjoying this level of fundamental confidence in society is something of which I, as Systembolaget's Chairman, am particularly proud.

A DIFFERENT COMPANY

Alcohol consumption in Sweden is falling and Sweden is one of the countries in Europe that consumes least alcohol per person aged 15 and above. We have a long tradition in Sweden of working preventatively in the field of alcohol. Young people's consumption is now at record-low levels, which is good to see, and we are also seeing a postponement in young people's alcohol debut, both of which show the importance of continuing to work preventatively.

Alcohol is not like other products. Which is also why Systembolaget is a different company. Rather than focusing on profit maximisation in economic terms, we focus on maximising individuals' and society's well-being. Because that is what the monopoly is actually all about: it's about keeping consumption down in order to reduce the social and medical harm caused by alcohol. That is always the starting point when we, the Board of Systembolaget, set the company's course on a range of strategic issues where we believe Systembolaget should work that little bit harder.

For us, the entire population of Sweden are our customers, irrespective of who they are or of whether they can shop with us, or even want to. We are here for everyone in Sweden, not just for those who choose to shop with us. And that makes us unique.

President's Statement

Systembolaget conducts its operations on the basis of our values – knowledgeable, inspirational, and considerate – and focus at all times on the customer. Expectations of our service, of new services, and of our responsibility are high in today's Sweden.

The foundation of everything we do is the fact that we are an alcohol policy tool. Our mandate is to limit the availability and sales of alcohol in order to reduce consumption and thereby help ensure that fewer people are harmed by alcohol. Public health is – and will continue to be – Systembolaget's primary focus.

We drink less in Sweden than is the case in many other countries in Europe. But the downsides of alcohol are still very clear. Systembolaget has commissioned a study that showed that alcohol costs Swedish society SEK 103 billion every year. The majority of the harm is suffered by people other than the drinker, and this leads to massive costs in terms of work by the legal system, public health care and medicine, the effect on quality of life, and production losses in working life.¹

SPECIAL PROJECTS IN 2019

Children are one group that often suffers from the consequences of alcohol. The Opinion Index (OPI) shows that Swedes support Systembolaget's monopoly in order, amongst other things, to protect young people from the harmful effects of alcohol. In 2019 we founded, in partnership with a number of children's organi-



sations and our subsidiary company, IQ, and launched a long-term initiative known as "Hangover-Free Childhood". A recent study shows that 320,000 children in Sweden are suffering due to a parent's alcohol consumption.² Every child who suffers is one child too many. The aim of *Barndom utan baksmälla* is to make a difference for children suffering as a result of adults' problematic alcohol consumption. Our goal, through this venture, is to raise awareness of what to do if you suspect that a child in your surroundings is suffering, and we have produced a guide for those who are keen to help and to act – *Avgörande ögonblick* [Critical moment].

We have also continued to hold our well-attended seminars nationwide during 2019. The main theme of this year's seminars was "Alcohol and working life".³

IMPORTANT EVENTS IN 2019

The agreement between Systembolaget and our owner has been updated in response to the Parliamentary decisions on home deliveries and alcoholic non-beverage preparations. The changes saw Systembolaget's home delivery service given permanent status and made available nationwide. We were also, in conjunction therewith, granted a monopoly on the sale of alcoholic non-beverage preparations, such as alcoholic

ice cream, which, as was noted in the media, had previously been sold to consumers with no checks on proof of age, intoxication levels, or the risk of illegal resale. This year's Opinion Index shows that 73.9 per cent of Swedes want to retain Systembolaget's monopoly on sales of strong beer, wine and spirits, corresponding to a fall from the previous year's level. A qualified majority of the population still supports Systembolaget's monopoly, but this figure shows the importance of continuing to remind people of the benefits to which our monopoly gives rise.

It is of considerable importance that alcohol-related legislation is clear, and Systembolaget has consequently been working in a number of related areas during the year.

In February, we elected to sue two companies – Winefinder AB and Winefinder ApS – in the Patent and Market Court, as we believe that they are engaged in and marketing the illegal sale of alcohol to Swedish consumers. Our hope is, through this legal adjudication, to obtain additional clarity as to the law and to put an end to this type of operation.

We have also monitored developments in social media, where we have confirmed a veritable flood of illegal alcohol sales, not least through so-called booze accounts that are aimed mainly at children and young people. These accounts are set up on social media with the aim of selling alcohol illegally, and there is a real need for measures that prevent these types of sales. Systembolaget has, therefore, initiated a dialogue with the major social media players with the aim of stopping the illegal sale and resale of alcohol to minors.

In early 2019, the Government entered into an agree-

ment with the Swedish Liberal and Centre parties whereby, in a move welcomed by Systembolaget, an investigative committee into farm sales will be set up in 2020 in order to determine whether they are totally compatible with the retail monopoly.

WIDE RANGE AND GOOD SERVICE – NATIONWIDE

Systembolaget operates throughout Sweden and we are the only company to have stores in every municipality. In places where the population is insufficient to support a store – from Smygehuk in the south to Karesuando in the north – there will often be one of our just under 500 agents, making us the whole of Sweden's company. We live in a world in which e-commerce is on the march, and we are, of course, developing our own e-commerce platform and formulating it to reflect what you already see in our physical stores: that we are different company, a responsible company. A beta version of our online store was launched in 2019.

When developing an e-commerce platform, it's about more than providing a customer offering: it's about, not least, equipping the operations to be capable of handling a growing number of orders through this channel. Measures we have taken to this end over the past year include completing our third depot, located just outside Stockholm, which can offload some of the burden from our existing depots in Sundsvall and Örebro, given that order volumes – whether for collection in-store or from agents – have steadily increased over time. This is also the start of a new methodology that will see us increasingly able to deliver orders to stores, ready packaged for handover to customers.

Systembolaget endeavours to ensure its range is continuously developed in line with external trends and customer demand. We offer a broad and qualitative

range with almost 17,000 items. The local and small-scale range, that offers local products nationwide, is an important part of our offering, and the range now comprises almost 2,000 items, in comparison with 440 items in 2014, which is when we began a new way of working with this range. We will continue to develop our small-scale and local range in the future.

Many customers are increasingly seeking the new products that Systembolaget offers, and we are now seeing, in line with this, that customers are looking for something to complement the temporary range of exclusive items and our fixed range that we have offered to date. Over the past year, therefore, we have launched an update to our temporary range that builds a bridge between the fixed and the exclusive range. The change will see us launch more temporary new products in a larger number of stores and in a variety of price bands. The aim is to constantly offer our customers an exciting and varied range, with different countries or origin and different styles, from both well-known producers and small-scale newcomers.

All of our development work is carried out with the aim of meeting customers' expectations in a responsible way. This year's Customer Satisfaction Index reached a new record high of 85.1 – a result that imposes obligations. We are constantly reviewing how and where we establish stores, based on demographic factors and purchasing patterns, and in 2019, we established three new stores, and moved four stores within their area. We also renovated a number of stores.

CUSTOMERS MAKING SUSTAINABLE AND INFORMED CHOICES

Systembolaget also provides information designed to enable customers to make informed choices, which

is why the shelves in our stores have clear labelling, showing whether the product is alcohol-free, organic, has a lower alcohol content, comes in climate-friendly packaging, or is ethically produced and labelled. We saw a continued rise in sales in this product segment in 2019, not least in sales of our alcohol-free range, and this is a positive and welcome trend.

We are proud of our organic range and have, for many years now, been informing our customers about how they can make sustainable choices by choosing organic products. Organic products' share of sales continued to increase in 2019, which is good to see, particularly as this is not the case in all of the other areas of the grocery retail segment.

We are, at the same time, facing a challenge in terms of our ability to offer even more customers climate-friendly packaging. A survey of Systembolaget's customers conducted by SIFO shows that awareness of the types of packaging that are best for the climate is still low. If we are to achieve our goal of reducing the climate footprint of our packaging, therefore, we must continue to work on persuading more customers to make the most sustainable choices.

A SUSTAINABILITY ROLE MODEL

Our owner's demands when it comes to the sustainability work of all State-owned companies are ambitious, and they have stated that Systembolaget, too, must be a role model in the area. Developments are proceeding apace in the sustainability sphere, and we must be innovative in order to maintain our ability to be on the cutting edge in this regard.

We are working actively to make a contribution to achieving Agenda 2030 and the global goals. Our

primary focus is on goal area three – Good Health & Well-Being. Our sustainability work extends beyond Sweden's borders and much of our work revolves around the sustainability impact throughout the supply chain – from farm to Systembolaget's shelves. We have established that we need to do more in this respect in order to secure good working conditions and a reduction in environmental impact throughout the chain – and to make administration easier for our suppliers and producers, and ourselves. To this end, we have developed a tool that will enable us to track the sustainability impact in the supply chain, and which we call our Sustainability Platform. We have also developed the partnership we launched with the Swedish Spirits & Wine Suppliers' Association (SVL) and the Brewers of Sweden Association – the Drinks Industry's Climate Initiative – during the year.

Another of Systembolaget's goals is to reduce sales of plastic carrier bags by 50 per cent by 2020, and we took another step forward on the path to this goal during the year when we elected to increase the price of our plastic bags by SEK 1.

DIVERSITY, INCLUSIVENESS, AND FUTURE CHALLENGES

We have been monitoring internal trends in the percentage of employees with a foreign background for some time, and in 2019, we went further and adopted a strategic key performance indicator that measures the percentage of employees in this category. Systembolaget is here for everyone in Sweden and, as an employer, we want our employees to reflect all of Sweden. Accordingly, we placed an extra emphasis, during this year's recruitment for summer jobs, on employing people with a background other than Swedish. Our operations also naturally include numerous good examples

Systembolaget in brief

Employees: 5 845, at least three in every municipality

Stores and agents: 446 stores and approximately 490 agents

Active drinks suppliers: approximately 800

Items: approximately 16,900; 2,500 in the fixed range, 12,200 in the available for order range, and 2,200 in the temporary range, 1,800 of which are in the local and small-scale range

Customer visits to stores: 126.2 million

Visits to digital channels: 63.1 million (systembolaget.se, omsystembolaget.se and the Search and Find app)

of successful work with diversity and inclusiveness, and working from the starting point of people's conditions has been a key element of this work.

Much of our work during the year was forward-looking, focusing on how Systembolaget will operate during the next strategic period, which runs until 2023. We have identified six areas where we shall make six pos-

itive shifts that are founded on the development work we have already begun during the current strategic period. We will, amongst other things, be placing a greater focus on the difference we can make nationwide – because we have a presence in all of Sweden’s municipalities – when it comes to inspiring more people to engage with alcohol issues. We also want to develop our customer offering and our operations in a sustainable way, and one of the factors for success in achieving these shifts will be the potential inherent in our just over 5,800 employees.

By continuing to act in a business-minded way, taking our social mandate and our strategic objectives as our starting point, we will work to realise our vision: a society in which alcohol is enjoyed with due regard to health considerations so that no one is harmed.



This is Systembolaget

Systembolaget's history

Our history is a history of kings, rivers of schnapps, temperance movements, ration books, and mine owners. It includes bribery scandals, referenda, battles with the EU, and online sales – and centuries of active alcohol policies.

Systembolaget's history begins way back in the 15th century, when schnapps first reached Sweden. Today's Systembolaget is the result of all the lessons we have learned about alcohol and the sale of alcohol over 700 years – lessons that have resulted in our clear social mandate: to sell alcoholic beverages and alcoholic non-beverage preparations through a retail monopoly, responsibly and with a high quality service, and to provide information about the harmful effects of alcohol.

Schnapps reaches Sweden as an ingredient in the manufacture of gunpowder. But soon, everyone is drinking it – even children.

Increased alcohol consumption leads to the formation of the temperance movement.



15th century

18th century

19th century

1850

King Gustav III allows the State to take over all manufacture and sales of schnapps, but this first monopoly is unpopular and only lasts a few years.

The first "Systembolaget" is founded by mine owners in Falun who sought permission for a monopoly on retail sales of alcohol in order to reduce interruptions to work caused by accidents. The revenues from sales would go to the improvement of social conditions amongst the mineworkers.

Systembolaget opens its first self-service stores in Filipstad, Köping and Vänersborg.



A ration book for spirit rationing is introduced nationwide after a 5-year trial in Stockholm.



2001

1997

1996

1995

1991

1955

1919

1865

Systembolaget expands its opening hours to include Saturdays and evenings.



Systembolaget starts selling Bag-In-Box wines and alcopops, despite the risk of increased drinking. The move is in response to EU requirements that prohibit discrimination against products or packagings.



Sweden joins the EU and Vin & Sprit loses the monopoly it had previously held on alcohol imports. Overnight, the number of importers increases from 1 to 115.

The European Court rules that Systembolaget's retail monopoly complies with EU law.

Systembolaget launches its "Seek & Find" app.



The EU rules that a ban on imports contravenes EU regulations. The ruling opens the door to private imports of alcohol to Sweden.

The ration book is abolished and all of the regional "system companies" were amalgamated into a single, State-owned company, today's Systembolaget.

Systembolaget enjoys the highest level of public confidence of any participating company in Medieakademin's Confidence Barometer between 2013 and 2018.

The State takes over all of the bars in Gothenburg and introduces a minimum age limit of 18.

Premiere of public drinks tastings.



A bribery scandal is revealed, and 92 people are prosecuted for taking or giving bribes in connection with Systembolaget's procurement.

Systembolaget organises its first drinks auction after the passing of the Government's Alcohol Bill.

Systembolaget introduces home delivery trials.

Systembolaget's retail monopoly has been expanded to include alcoholic non-beverage preparations, and home deliveries become a permanent service.

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 vision.

See below for some of the external factors that affected Systembolaget in 2019.

ATTITUDES AND CONSUMPTION PATTERNS

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 that it is becoming increasingly uncommon for Swedish young people to make their alcohol debut before the age of 14.⁷ Young people are drinking less, and their alcohol-related problems are declining in tandem with this shift.⁸

Women aged between 65 and 84 are drinking more than before, albeit this is an increase from low levels. Men are continuing to get drunk more often and to drink in larger amounts than women.⁹

There are also, in addition to the actual changes in attitudes and behaviours in relation to alcohol, perceptions with regard to its associated risks. The fact of the matter is that 83 per cent of our customers are of the opinion that they have no problem at all with

alcohol (according to "Allmänheten om inställning till alkohol och monopol mm" [Public attitudes to alcohol and monopolies etc.], Novus, 2015). At the same time, we know that almost one million Swedes are consuming at hazardous levels. This is a major challenge for us and it's an important one, given that other people – not just drinkers – suffer negative consequences.

ATTITUDES TO THE MONOPOLY

Swedes' attitude to a restrictive alcohol policy is generally positive, with a majority of Swedes supporting the monopoly. A clear majority also rate Systembolaget's service, range, and personnel as good. The most common reasons cited by those customers who want to abolish the monopoly are convenience, that they are strong proponents of the individual's right to freedom and/or that they are, on purely ideological grounds, opposed to monopoly companies.

We are, at the same time, seeing a different, more alcohol-liberal trend in Sweden. The trend in Europe is towards a more restrictive alcohol policy, but in Sweden, we are seeing worrying trends where alcohol is being increasingly normalised and where attitudes to alcohol and intoxication are more positive than before. Fewer and fewer people also believe that getting drunk around children is totally wrong.

One issue being discussed in Sweden is the question of whether farm sales of alcohol should be permitted. A Government investigative committee into farm sales will, under the terms of the January agreement, be appointed during the mandate period.

The collective effect of these factors may be a reduction in people's understanding of why Sweden has chosen to implement a restrictive alcohol policy that focuses on public health. Alcohol now costs a total of SEK 103 billion per annum¹, which is an indication of how much harm it causes.

We are also seeing signs of a reduced political engagement in a unified alcohol policy that focuses on public health, showing how important it is that those who are personally affected or are working to limit the harmful effects of alcohol continue to make their voices heard in the debate. Systembolaget, the supporting legislation, and supervision, must move with the times if our alcohol policy and Systembolaget's role in it are to continue to be perceived as relevant.

A FASTER, MORE DIGITAL WORLD

The current rapid pace of digital development is both posing challenges and offering opportunities for us, here at Systembolaget. Our customers' underlying needs have not changed, but their behaviour and expectations are influenced by new ways of using technology.

Convenience is an increasingly important factor for our customers, many of whom are seeking solutions to everyday tasks in order to free up time. Global e-commerce platforms mean that rapid home deliveries are available at the click of a mouse button. And we are seeing this trend mirrored in the Swedish retail sector, while in the grocery retail sector, "click and collect" –

filling your shopping bag digitally and then collecting it in store – is becoming increasingly prevalent.

This type of retail has resulted in our customers becoming used to being able to order, pay, and receive their goods in the way they prefer, quickly and smoothly. Expectations are rising that Systembolaget will be able to offer equally simple and friction-free customer interactions.

Systembolaget finds itself, just like every other company, in the midst of this digital development, but unlike many other operators, we do not have an online presence in order to boost our sales. In a world in which customers demand increased accessibility and simple solutions, we must be able to offer this responsibly (see page 30). We also want to do this with consideration for both people and the environment. It's a tricky – and important – balancing act.

CLIMATE CHANGE AND INCREASED AWARENESS

Systembolaget's operations affect both the climate and the environment. Our biggest impact is indirect and arises from our suppliers, their producers, and on the farms. These operations not only cause air pollution and have a negative impact on the climate, they also impact biological diversity through increased land usage.

And at the same time as our operations contribute to this effect, they are directly harmed by climate change and the more extreme weather in which it results. Warmer temperatures have, for example, resulted in it no longer being possible to grow many types of grape in the areas where they have always been grown. Old, efficient vineyards are becoming difficult to cultivate and producers are being forced to close them down or

move to areas where the existing infrastructure, topography or land usage makes it difficult to produce wine.

The last few years have, however, also seen significant initiatives aimed at countering this negative trend, such as the Paris Agreement and the UN's global goals. Greta Thunberg's "Fridays for Future" global movement has also gained considerable importance in just a short space of time, with people in over one hundred countries mobilising for the climate and working to: keep the global increase in temperature below 1.5°C, adhere to the Paris Agreement, ensuring climate justice, and listening to the best combined scientific findings currently available. We are, furthermore, seeing a growing awareness of both environmental and health issues on the part of our customers, with increased demand for traceability and product information, for example. Sustainable production and sustainable deliveries are also being seen as increasingly important by consumers. The increase in e-commerce has also resulted in consumers becoming used to having home delivery of products, and that has affected their expectations of us. More home deliveries mean more transports, which can, in turn, affect the climate. Our customers are also continuing to demand organic products and we are seeing a growing interest in locally produced products and climate-friendly packaging.

SUPPLY CHAIN RISKS

Systembolaget has approximately 800 drinks suppliers and innumerable producers in over 100 countries. Everyone working in our supply chain is expected to comply with the principles set forth in Systembolaget's Code of Conduct. We work with our suppliers and sub-contractors to ensure that our range comprises products that are sustainable – qualitatively, ethically, socially, and environmentally. And our customers and

owner want that too – and these stakeholders' demand for responsibility and traceability are increasing for every year that passes.

The conflicts seen in various parts of the world in recent years, and the ensuing migration flows, have created new risks in the supply chain. Many migrant workers work under poor conditions in countries previously classified as less risky under Systembolaget's risk classification system. This is something we are working on, not least as part of our efforts to contribute to achieving the UN's global sustainability goal of Decent Work & Economic Growth.

Cooperation between different bodies, such as trade unions, is one of the key factors for success in counteracting and minimising supply chain risks.

THREATS AND VIOLENCE IN THE RETAIL SECTOR

Threats, violence, and harassment are a growing problem for retail personnel, and it is vital that we protect our employees from these issues, which pose a considerable work environment risk for employees in some of our stores. We have noted that the problem is often greatest in and around major conurbations, but threats, violence, and harassment can occur in all types of store and location.

DEMOGRAPHIC CHANGES

Systembolaget is currently experiencing the effect of a number of demographic changes, including population growth, urbanisation, and an older and more multicultural population.

Urbanisation is, for example, expected to result in the number of people entitled to shop at Systembolaget in Sweden's ten biggest municipalities increasing by

around 400,000 by 2024 (according to an in-house analysis based on Statisticon's population forecasts for 2024). This will demand new solutions if we are to meet the needs of big city customers in small retail outlets.

The number of Swedish citizens with a foreign background, i.e. those born in other countries or born in Sweden to two parents born abroad, is continuing to increase and now accounts for 27 per cent of Sweden's population. An increasingly multicultural population means that we need to find ways of reaching out to and communicating with everyone in Sweden. It is particularly important that we explain Systembolaget's mandate and why we exist, and ensure that everyone feels welcome at Systembolaget. But it is also about ensuring that Systembolaget is perceived as an attractive employer for all.

Demographic changes outside Sweden also affect our operations. Many populations, not least in Asia, are experiencing improved economic strength and are acquiring new habits¹⁰. These new markets, with larger populations and increased consumption, are giving rise to increased competition for available grape volumes, posing new challenges for our purchasing processes.

LEGAL CONDITIONS AND SUPERVISION

On 28 May 2019, the Swedish Parliament passed an amendment to the Swedish Alcohol Act¹¹ as a result of which alcoholic ice cream and other alcoholic non-beverage preparations are now covered by Systembolaget's retail monopoly. The Act was also amended such that liquor licences can include alcoholic non-beverage preparations, which could previously be sold to consumers with no checks on proof of

age, intoxication level, or the risk of illegal resale. The legislative amendments came into force on 1 July 2019.

Systembolaget has been running a trial offering home delivery to a limited number of areas in Sweden since 2012. On 28 May 2019, Parliament decided that the trial operations should be concluded, and that home delivery should, instead, be included as part of Systembolaget's regular operations. This means that Systembolaget is now able to offer home delivery throughout Sweden. The agreement between Systembolaget and the State was, therefore, updated and the amended agreement came into force on 1 July 2019.

Another issue that has attracted particular attention during the year is that of distance selling of alcoholic beverages. The online commercial operators are operating in a context with aggressive marketing, and they are, thereby, contributing to the normalisation of alcohol as just another product. Systembolaget holds a monopoly on retail sales of alcohol in Sweden, both in stores and online, but these operators are still engaging in the sale of alcohol in Sweden.

When these companies sell alcohol in Sweden, they are in breach of current legislation, and Systembolaget consequently decided, in February, to sue one of these operators, Winefinder and Winefinder ApS, in the Patent and Market Court. The dispute is ongoing, and it is currently unclear when it will be resolved.

How we create sustainable value

The outside world affects Systembolaget, but we affect the outside world, too. Systembolaget works in a number of ways to help create sustainable social value, whether this entails reinforcing and developing the directly positive social value that our operations entail, or reducing the negative effects on the environment and people throughout the supply chain.

THE HARMFUL EFFECTS OF ALCOHOL

Alcohol is not just another product, and it continues to have negative consequences for individuals and society at large. The downsides of alcohol do not just affect the person who drinks, but those around them too – and children, in particular. Systembolaget's purpose is to limit the harmful effects of alcohol in society and this is a natural focus for our value creation. Alcohol costs society immense sums, and Systembolaget's role as an alcohol policy tool is to limit availability, to sell without encouraging additional sales, and to thereby reduce the harmful effects of alcohol.

Sweden also needs an increased awareness of the costs and consequences of alcohol, but for some time now, we have been lacking a current and updated compilation of the societal costs and benefits of alcohol. Which is why Systembolaget commissioned the international survey company, Ramboll, to review the annual cost to Sweden of alcohol.

The results show that the costs of alcohol consumption in Sweden in a single year are SEK 103 billion. Alcohol is involved in every other case of assault, and around 660,000 of all instances when medical care is sought

are alcohol-related. 625,000 alcohol-related days of sick leave are taken every year¹.

The fact that Systembolaget is not tasked with maximising its profits increases our ability to focus on reducing the negative value of alcohol. We do this by means of, amongst other things, not encouraging additional sales, by helping our customers, in a variety of ways, to make informed choices, by financing alcohol research, and through our efforts to inform people about the harmful effects of alcohol. We are, however, aware that 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 CONTRIBUTE TO DINING PLEASURE

With 16,900 items, Systembolaget ensures access to a wide range of both alcohol-free and alcoholic drinks. Our expertise and good advice help our customers match their food and drink, and our extensive expertise and high-quality service ensure we can meet our customers' needs, whether in-store or online.

Systembolaget's purchasing process is completely brand neutral and is designed to ensure a range that is both broad and deep. It generates opportunities for numerous operators in the drinks market, both large and small, to reach out with their products through us. This is positive for both the customers, who gain greater freedom of choice, and for the operators who gain the conditions necessary to enable them to conduct their operations on a competitively neutral market.

SWEDEN-WIDE FOCUS

Systembolaget's 446 stores and around 490 agents generate positive value for Swedish local communities, through job creation. Systembolaget has a presence and at least three employees in every Swedish municipality, and on 31 December 2019, we had 5,845 employees, 64 per cent of whom work in the 329 stores located outside Sweden's biggest conurbations. The customer flow to the stores and agents also has a positive effect on other local businesses.

Systembolaget also endeavours to create positive value by being a good employer that works to ensure both a good work environment for our employees and to reflect society through our employees. Our ambition to reflect society helps achieve integration and helps people who are outside the labour market to get jobs.

CLIMATE AND ENVIRONMENTAL IMPACT

Activities that affect the environment occur throughout Systembolaget's value chain. If we look, specifically, at climate impact, it is clear that the biggest impact occurs in conjunction with packaging manufacturing, raw materials cultivation, drinks production, and transportation. The production and cultivation processes use valuable natural resources – not least, water – and inappropriate chemicals are also still used at some points along the chain.

Systembolaget works continuously to reduce both our direct and indirect impact. We are a key player in the drinks industry and, as such, have an important part to play. We help our customers to make environmentally

sustainable choices and we impose demands on our suppliers – our requests for tender, for example, now include requirements for climate-friendly packaging. We are helped in this work by the Drinks Industry's Climate Initiative, a collaborative initiative launched in 2017 by Systembolaget Swedish Spirits & Wine Suppliers' Association (SVL), the Brewers of Sweden Association with the aim of reducing the industry's climate footprint. Together, we can make a real difference.

SOCIAL SUSTAINABILITY

Social sustainability is an important issue in the context of our value creation work, both locally in Sweden, and globally. Working conditions for people working in the supply chain unfortunately sometimes fail to comply with global conventions on working conditions and human rights. Equally, there is also a risk of corruption and improper influence within the industry, which is a problem that can create massive negative value. Systembolaget works continuously to ensure high ethical standards and good working conditions for the people who work in the supply chain behind our range and we also endeavour to bring about a general improvement in conditions within the drinks industry by imposing requirements, monitoring compliance, and cooperation, and by helping our customers make informed choices.



Systembolaget's business model

Several hundred years of Swedish alcohol consumption and alcohol policy resulted in the formation of Systembolaget in 1955. Our business model derives from centuries of lessons learned, adapted in line with our mandate in the modern world. Our business model is, therefore, based on the outside world factors that affect us – and, of course, our effect on the outside world.

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 Act¹¹ and EU law.

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 will realise this vision through our mandate: we shall, through our monopoly, responsibly and with a high standard of service, sell alcoholic drinks and alcoholic non-beverage preparations, and provide information on the harmful effects of alcohol.

Systembolaget does not exist to maximise our sales – we exist to sell responsibly and to limit the harmful effects of alcohol. Systembolaget benefits everyone in Sweden, but only sells to people aged 20 or above and never sells to anyone who is noticeably intoxicated or who is, we suspect, buying to resell. We provide information on the harmful effects and take our responsibility to enforcing the minimum age limit very seriously.

Systembolaget exists for the whole of Sweden and our customers can reach us, either via our stores, at systembolaget.se, or via our



agents. See overleaf for a presentation of our organisation.

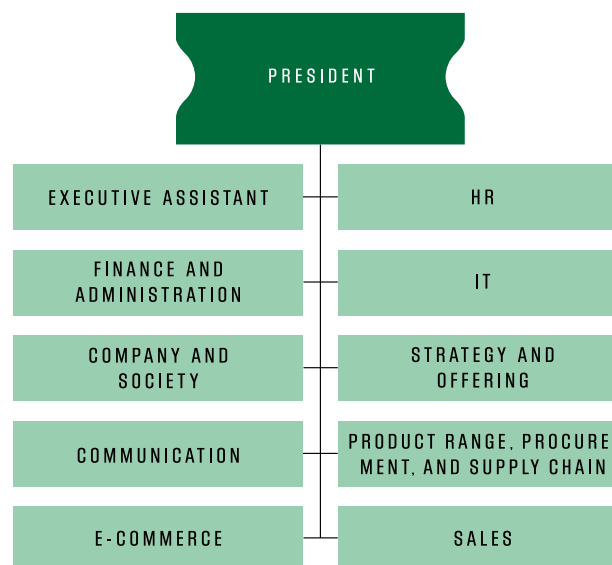
Systembolaget conducts retail sales of alcoholic beverages from manufacturers worldwide. Our range comprises 16,900 items. Procurement entails transparent procurement processes that focus on quality and sustainability.

All alcohol is sold with no attempt to maximise profits and in a non-discriminatory way. Pricing takes the form of surcharges on procured goods, based on handling costs. The surcharge is objective, transparent, and non-discriminatory.

ORGANISATION

Systembolaget's operations are conducted via 446 stores in Sweden, and we have a presence in all major towns and cities. These stores were visited by a combined total of 126.2 (124.8) million customers during the year. Three new stores were established in 2019. The aim of opening more stores, with the majority planned for large and medium-sized conurbations, is to meet the demands made by population increases and urbanisation. There are also, in addition to the stores, approximately 490 agents throughout Sweden from whom customers can order goods for collection. We also offer home delivery in six counties, which enables us to reach over 60 per cent of the population of Sweden who are eligible to buy from us. Systembolaget was granted, as of 1 July 2019, the ability to offer this service nationwide, and work is currently ongoing on the successive rollout that will make home delivery available throughout 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.

We have reorganised during the year, dividing our Offering business area into several departments, and establishing a new e-commerce department. We have reinforced our operations in this way in order to improve our ability to meet customers' needs and the outside world's expectations. The company management team was also expanded, and now includes Directors for the Strategy & Offering, and Product Range, Procurement, and Supply Chain, and Communication Departments, and the newly instituted E-commerce Department, which has been created to enable a clearer focus on and ability to meet future challenges in this area. See the presentation on page 94 for further details of the company management.

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 issues that are, therefore, of the greatest importance to us and to our stakeholders – summarised in the form of a materiality analysis, and about how this will affect us going forward.

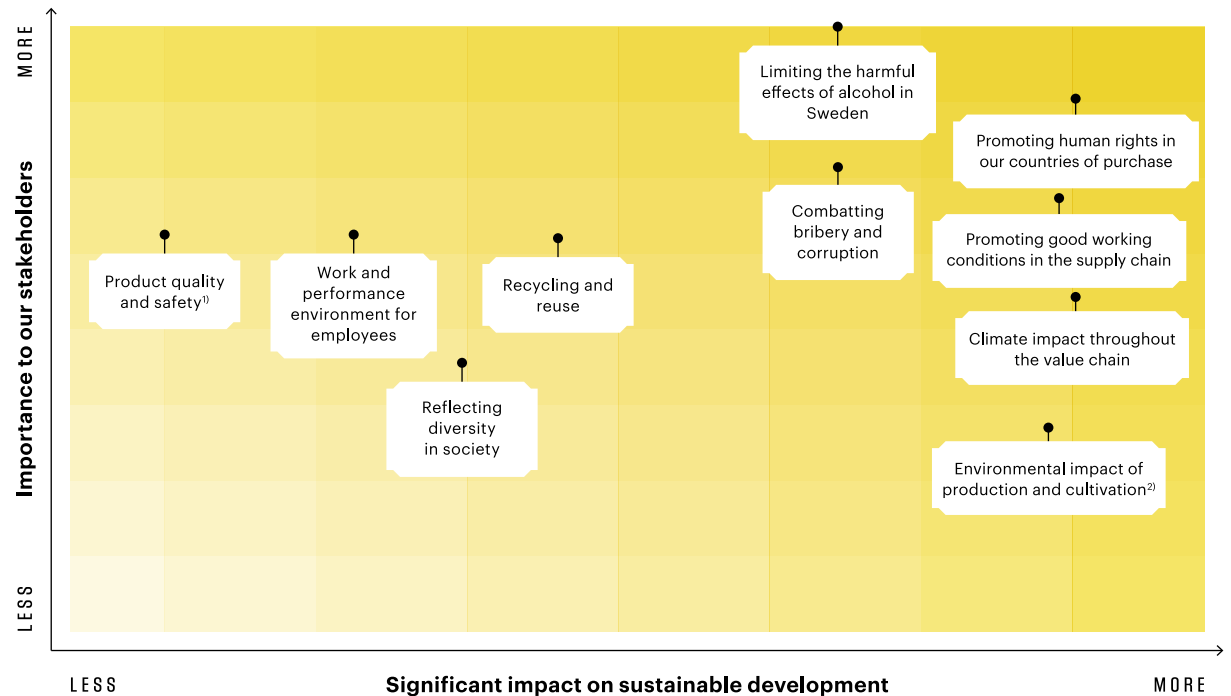
Our materiality analysis

Systembolaget's materiality analysis, together with the UN's global goals for sustainable development, forms the basis for much of our sustainability work. The materiality analysis is conducted annually in order to identify both the sustainability issues where Systembolaget can exert the greatest influence, and the issues which are of the greatest importance to the company's external and internal stakeholders, and which it is consequently important that we address strategically and report.

The materiality analysis is based on ongoing stakeholder dialogues with our most important stakeholders – customers, employees, owners, suppliers, and other key operators in society. These stakeholder groups were identified at an overall level several years ago, based on our social mandate and our operations. The dialogues with our stakeholders are conducted on a rolling basis in a variety of forms, and the most significant ones in 2019 are presented in the section on our stakeholder engagement (see page 116).

In 2018, we conducted an in-depth investigation of the operations' impact and positive contributions to achieving the global goals, broken down at subsidiary goal level, in order to clarify Systembolaget's effect on sustainable development. This work was reviewed in 2019, and this year's analysis consequently also included:

- insights from ongoing external monitoring during the past year;
- a stakeholder dialogue with customers conducted by Ipsos in 2019;
- the Sustainable Brand Index 2019 consumer survey ¹².



1. Health and safety (excluding the health aspects of the actual alcohol)
2. Refers to the effect on the surrounding environment and people, over and above the climate impact, e.g. the impact on biological diversity, water and air pollution

The materiality analysis is approved by the company management and Board of Systembolaget. The results of the 2019 materiality analysis are shown in the diagram.

Evaluations of the importance of the sustainability issues to the stakeholders are based on the combined input from different stakeholder dialogues, primarily

the annual online stakeholder dialogue, which, in 2019, targeted customers. Supplier meetings, enquiries submitted to Customer Services, and meetings with our owner also contribute to the evaluation process. We have an ongoing dialogue and reconciliation process with our owners regarding our priorities in the field of sustainable enterprise.

The evaluation of significant effect is based on the GRI Standards' holistic view of impact, and shows the effect that an organisation has on economic, environmental and social issues which, in turn, indicates positive or negative contributions to sustainable development.

The biggest difference from previous years' materiality analyses lies in the fact that the social conditions in the supply chain issue has been divided into two areas. This division was made in order to clarify that the importance and effect of human rights and indirect effects on local communities have both increased, as shown by the Human Rights Due Diligence study carried out in 2018, and by the increased focus on this issue in the outside world.

The importance of climate impact in the value chain has also increased, not least in the form of a greater focus on transportation, packaging, and sustainable choices. This is apparent both from Ipsos' customer survey and the Sustainable Brand Index for 2019¹². Recycling and reuse are two other areas whose importance has increased, based on the packaging issue ranking.

The annual online stakeholder dialogue showed that awareness of Systembolaget's sustainability work continues to be relatively low, nationwide. There are, however, some exceptions in connection with limiting

the harmful effects of alcohol and regarding the range of organic products.

We present details of the way in which we are addressing issues raised by the materiality analysis in our section reporting on Systembolaget's three strategic shifts which are, in turn, a result of our strategic plan for 2017-2020. The materiality analysis also indicates on which of the UN's global sustainability goals our operations will primarily focus.

The UN's global sustainability goals



Agenda 2030 and the UN's global sustainability goals are important starting points for Systembolaget's work and strategy. As a State-owned company, we shall, within the framework of our operations, analyse the global goals in order to identify those of the greatest relevance to us, i.e. those goals to which the company can, through its operations, make a contribution. We shall also develop our business in order to improve our contribution to the realisation of the global goals.

Here are the seven global sustainability goals on which we have focused in our strategic plan for 2017-2020. The concrete ways in which we work towards these goals are described in our Responsibility Report on the pages shown in the table.

The UN's global goals	Area	Page
Goal 3: Good health and well-being	Increase awareness of the risks of alcohol and of why Systembolaget exists	55
Goal 5: Gender equality	Diversity and inclusiveness	70
Goal 8: Decent work and economic growth	A sustainable supply chain	41
Goal 10: Reduced inequalities	A sustainable supply chain	41
Goal 12: Responsible consumption and production	A carefully selected range A sustainable supply chain	36 41
Goal 13: Climate action	A sustainable supply chain A sustainable in-house operations	41 50
Goal 16: Peace, justice and strong institutions	Ethics and anticorruption	52

Goal-related skill enhancement

We have implemented internal skill enhancement activities for our employees in 2019 in relation to the global sustainability goals. We have stressed some aspect of the global goals at every monthly meeting held by the 446 stores, and reviewed both Systembolaget's ambitions in relation to the goal and the ways in which we can make an individual contribution through our work in-store. Issues addressed have, for example, included the way in which we work with ethical and organic labelling, or more climate-friendly packaging, and how we can help build a more inclusive society.

Where we want to be – Systembolaget’s strategic plan

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 was the first time that our key sustainability aspects have been integrated into the overall strategic plan. Sus-

tainability is an increasingly explicit operational goal for us, and an integrated sustainability perspective empowers our implementation of this approach.

This Responsibility Report largely addresses *how* we are working to achieve the strategic plan’s objectives

– the measures and initiatives we are taking and the challenges we must address. But in order to be clear about *why* we do what we do, it is important to understand where we are going. And that’s what we talk about below.

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 5,800 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.

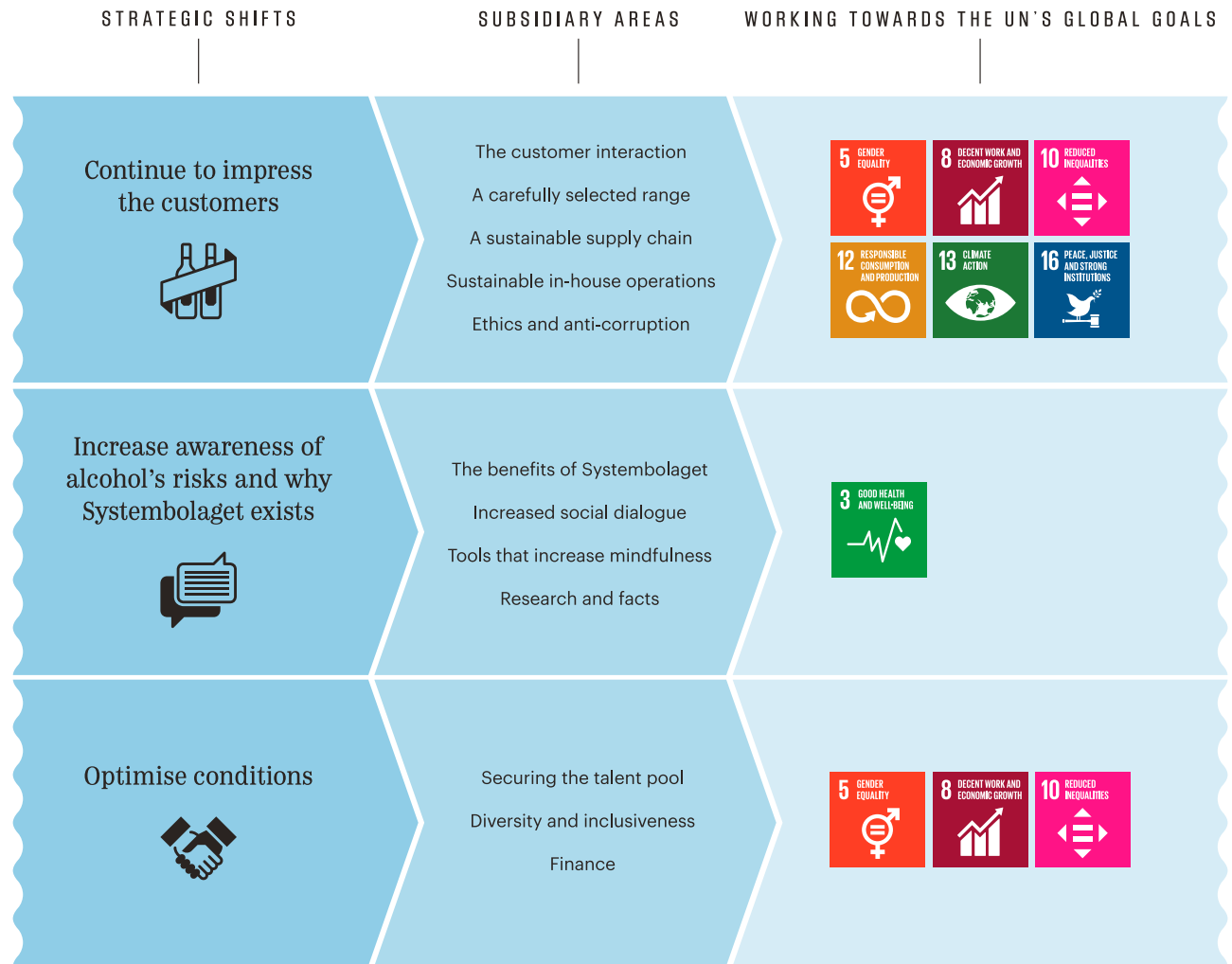
Three strategic shifts

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.

WE WANT TO CONTINUE TO IMPRESS OUR CUSTOMERS

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.

It is worth repeating that Systembolaget is not like other companies and alcohol is not like other products. We don’t want satisfied customers so that they will buy more. We do not run discount campaigns and we do not sell three products for the price of two. Our goal is for our customers to be proud of Systembolaget and happy with our monopoly – and if we are to continue to impress them, we must continue to develop.



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 graphic.

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 in Sweden, and we're proud of that fact. But we also believe that there is a risk of 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 take place across society as a whole. Alcohol is increasingly perceived as "just another product", as is clear from its marketing and in social media.

Our goal is to involve more people in order to increase awareness and encourage greater mindfulness, dialogue, and cooperation on alcohol-related issues, as part of which we aim to increase alcohol-related knowledge across society so that fewer people suffer harm. In 2019, the results of a study financed by Systembolaget and focusing on alcohol's costs, were launched¹. We have also supported a study aimed at reviewing the number of children growing up in families where at least one parent drinks too much².

WE MUST CREATE BETTER INTERNAL CONDITIONS FOR ACHIEVING OUR GOALS

If we are to achieve all of our goals, we need to create even better conditions in which to operate at Systembolaget. 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 all of our employees, through a diversity of perspective, a value-governed management, sustainable and rational operations, condition-optimising IT, and by taking environmental and social responsibility, to feel proud of us as an employer.

KEY RATIOS AND GOAL LEVELS

Our owner, the State, has set a number of goals that steer our course. The primary goal, according to our owner, is 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 ensured that all of our strategic key ratios can be directly influenced through our own operations in order to achieve an increased focus and facilitate delegation.

The owners' goals over which we have direct influence are monitored by means of 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 in society, 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, and at the end of 2018, the Board decided that a goal relating to the number of employees with a foreign background should be added to those where progress is monitored, starting in 2019.

The sustainable enterprise goals for 2019 are shown in the table on the next page, where we present strategic key ratios and indicators. The table shows that there is at least one key ratio or GRI indicator for every material sustainability area within the three strategic shifts, in order to ensure monitoring and reporting.

The table overleaf also shows how our integrated reporting is structured on the basis of our current strategic plan and within which shift our most material sustainability issues are reported.

OUR STRATEGIC KEY RATIOS AND INDICATORS

Strategic shift	Area	Strategic key ratio	Result, 2019 ¹	Goal, 2019	Sustainable enterprise goal ²	Owner's goal	Board's goal
Continue to impress the customers	The customer interaction	Customer Satisfaction Index (CSI)	85.1	84.5 – 85.0	x	x	x
	Sustainable supply chain	Supplier's sustainability maturity	See page 49	See page 49	x		x
	Climate and environmental impact of in-house operations	Climate impact of in-house operations (net CO ₂)	1 847 (-29%)	Annual reduction	x		x
Increase awareness of alcohol's risks and why Systembolaget exits	Engage our customers and other stakeholders in the benefits of Systembolaget	Opinion Index, OPI (%) The percentage who want to retain Systembolaget's monopoly on retail sales of spirits, wine, and strong beer	73.9	77.5			x
	Tools that increase mindfulness	Proof of age checks	95.2	96.0	x		x
Optimum conditions	Securing the talent pool	Performance culture	81.7	82.0	x		x
		Sick leave (%)	4.5	4.4			x
	Diversity and inclusiveness	Number of employees with a foreign background	12.7	13.0	x		
	Finances	Equity/assets ratio	25.9	20.0–30.0			x
		Return on equity	15.5	8.0–9.0			x
		Cost-effectiveness	2.4	≤2.3			x
		Strategic indicator³	Result, 2019	Goal, 2019	Sustainable enterprise goal	Owner's goal	Board's goal
	Alcohol Index ⁴	61.6	-		x	x	
	Total consumption, litres of pure alcohol per head of population aged 15 or older ³	8.8	-		x		
	Systembolaget's share of alcohol consumption ⁵	65.6	-		x		

1. As of 2017, Systembolaget reports all key ratios and indicators to one decimal place in order to increase transparency. The exception to this is the climate impact key ratio, which is reported under carbon dioxide equivalents.

2. As of December 2017, the Board has adopted the strategic goals for sustainable enterprise.

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

4. The Alcohol Index goals are set in the Owner's Directive.

5. Reported one year in arrears.

The strategic plan, 2020–2023

The world in which Systembolaget operates and our customers' expectations of us are both constantly changing, and it is vital, therefore, that we continuously review our priorities. We do this both on a rolling basis and in conjunction with our strategic monitoring, and we also perform a major reset every three years. 2019 saw us put a great deal of effort into drawing up Systembolaget's next strategic plan which will guide us for the years from 2020 to 2023.

Large parts of the company have been represented during – and involved in – the planning work in order to generate engagement and confidence in our impending plan. We believe that working closely with and involving Systembolaget's various operations in the strategy work is the best way to generate ownership in relation to our future shifts.

We will be working even more intensively with the customer experience during the coming strategy period. The focus, going forward, will be on innovative and personal customer interactions that are handled in a sustainable and considerate way. Our expanded customer promise and the raising of our *Kraften i 5000* [The strength of 5,000] ambition bar – which will now be known as *Kraften i 5000 tillsammans med varandra och andra* [The strength of 5,000 together with each other and others] – will be two of our most important factors for success in this work.

The strategic plan also includes an ambitious strategic goal and sustainability strategy. The ambition is for

sustainability to permeate everything we do and for the UN's global goals to exert greater control over our objectives. We have analysed the global goals in 2019 in order to identify the subsidiary goals most closely associated with our operations – and where we consequently have the greatest potential for exerting an influence. We have analysed our direct and indirect effect on every goal and the areas where we can exert influence, both now and in the future. The analysis showed that Systembolaget has some impact on all 17 sustainability goals and at least 55 of the subsidiary goals, and that we have a strong influence on 11 of the goals and 20 of the subsidiary goals. We have accordingly adopted eight broader strategic commercial goals for 2030. Collectively, these goals cover the whole of Agenda 2030, with the emphasis on the areas where we can exert the greatest influence. Every goal includes at least two subsidiary goals for 2023, and form the basis of our sustainability strategy work.

Looking ahead, we can see substantial potential for improvements in the areas of transportation, packaging, and purchases for our operations, as is the case with regard to inspiring and helping our customers to make sustainable choices. We will, of course, alongside this work, continue with our important task of providing information on the harmful effects of alcohol in order to realise our vision of a society in which alcohol is enjoyed with due regard to health considerations so that no one is harmed.

Our three strategic shifts



STRATEGIC SHIFT #1:

We shall continue to impress our customers

Systembolaget is not like other companies. We do not attempt to maximise profits: we exist to protect public health. This means that we never try to promote additional sales by advertising individual products, nor do we offer bulk discounts or discount prices. Our personnel shall provide a high-quality service and expert advice for anyone who requests it, but shall never suggest drinks if the customer does not ask about them. We want to impress our customers – but not in order to get them to buy more. Rather, the aim is to ensure they are satisfied with Systembolaget. They should be able to rely on us to sell responsibly, and this sense of responsibility shall also permeate our work with our range.

The world around us is changing rapidly, and as the world changes, so do our customers' wishes, expectations and behaviour. To ensure that we continue to impress our customers, Systembolaget, works continuously on its development, and we do so within a number of different areas: in the physical and digital customer interaction, by means of a carefully selected range, in our work with ethics and anticorruption – and in our efforts to establish sustainability in both our supply chain and our own operations.



The customer interaction

Why this is important

A first-class customer interaction and an impressive product range are two of our most important tools in our efforts to impress our customers. But unlike many other companies, Systembolaget does not want satisfied customers so that it can boost its sales. Rather, 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 alcoholic beverages, non-beverage alcoholic preparations, and to inform people about the harmful effects of alcohol.

Direction and strategic initiatives

We have seen major upheavals in the way in which general and specialist retailers must operate in recent years as a result of digitisation and changes in consumption patterns and behaviours. Swedish demographics are changing too, as shown in such trends as an aging population, urbanisation, and more and more people with foreign backgrounds. Collectively, responding to these changes will ask a great deal of

Systembolaget if we are to continue to live up to our customers' high expectations and, at the same time, to sell responsibly. We are, therefore, working strategically with a number of areas in order to ensure that we continue to impress our customers in every customer interaction – whether physical or digital.

We have continued to develop our customer promise in 2019 in order to address the ongoing changes in the retail and speciality retail sectors. We have focused on the potential offered by Systembolaget's digital platforms for our customer interactions. It is important to us that our customers can access our entire offering, not just what we carry in our physical stores. We believe this will enable an impressive customer interaction and enhance our customers' ability to shop our entire range.

You should always feel welcome

- You are always welcome, whatever the reason for your visit, or wherever you choose to meet us.
- We are here for you and will show how happy we are to see you.
- We are responsive and engaged – we will do everyone we can to help you, simply and smoothly.

You should always be able to discover something new with us

- 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.
- We are inquiring and are happy to share the latest know-how in a way that suits you.
- We are brand-neutral, and our advice is 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.
- We do everything we can to ensure our offering is sustainable for both people and the environment.
- Our goal is to reduce the number of people harmed by alcohol. We are happy to talk about why Systembolaget exists and the difference we make.



Our customer promise

The customer promise is our employees' lodestar when it comes to impressing our customers. It reflects our mandate and why we exist: to offer responsible sales and high-quality service. Systembolaget has just over 5,800 employees who work on a day-to-day basis to realise the customer interaction. In 2019, we have worked on Systembolaget's new strategic plan for 2020 to 2023, and have updated our customer promise in conjunction with this work. A number of activities have also been implemented in order to generate understanding of what our updated customer promise means in terms of our day-to-day work. The customer promise was, for example, presented at the autumn theme meetings for all employees. The implementation work will continue in 2020.

INCREASED SERVICE ONLINE

Systembolaget has a high Customer Satisfaction Index value for our e-commerce, but we must continue developing our e-commerce if we are to continue to meet our customers' expectations in the future. In 2019, therefore, we took the next step in developing our online offering with the launch – in the spring – with a beta version of Systembolaget's new online store, systembolaget.se. Our ambition, with regard to the new store, is that it should be easy for the user to find what they are looking for and, at the same time, that every visit to the site is an opportunity to learn something new. We have attempted to achieve this by, amongst other things, improving how we display our range and how we impart knowledge. We have also made it easier for the user to make informed and sustainable choices.

Around 40,000 people tested the new online store during the first week after going live – which is more

than twice as many as when Systembolaget last released a beta version of systembolaget.se. We are planning to transition from today's systembolaget.se to the new version in 2020, when we will also be working on offering new payment alternatives and making it easier to shop with us online.

On the customer service side, this past year has seen us develop our online customer service chat function, and we have gone from 10 expert store workers to 25, from the north to the south of Sweden, answering customer questions. Our chat function has also been updated with a new design that makes it easier for our customers to get in touch with us. In the autumn of 2019, we answered an average of 1,700 questions a week via our chat function, in what is a marked increase from the autumn of 2018, when we answered just over 1,000 questions per week.

OUR ONLINE RANGE

An accessible range is a prerequisite of our ability to continue impressing our customers, whether in stores or online, and over the past year, we have consequently started rolling out a new range offering on our website. Customers who order items for collection in-store can now also order from the range held in stock in the store, which was previously only possible for those online customers who had ordered collection from an agent or home delivery. The change means that we are, therefore, offering the same range online, whether the customer elects to pick up the items in-store or from an agent, or opts for home delivery.

By the turn of the year, this offer was available to customers in northern Sweden, Uppsala, and parts of the Stockholm area. The aim is for the offer to become accessible to customers in all parts of Sweden during 2020.

Customers in Systembolaget's new online store can now, at an early stage in the purchase process and in order to clarify the content of our various ranges, elect to browse our entire range, to see the per store range, or to simply view our online range.

HOME DELIVERY BECOMES PART OF OUR REGULAR OPERATIONS

Systembolaget has been trialling home deliveries since 2012 in six counties: Skåne, Stockholm, Uppsala, Västerbotten, Västernorrland and Västra Götaland. The trial has been monitored carefully and evaluated on a rolling basis by experienced alcohol researchers, and we are now offering home delivery for over 60 per cent of the population of Sweden who are entitled to buy goods from the company.

Customers are generally satisfied with the home deliveries and perceive it as responsible selling. Customers are, however, demanding some changes to the service, namely lower prices, narrower time windows for deliveries, and shorter lead times.

The trial period has shown that we can sell responsibly, even in connection with home deliveries, and in 2019, Parliament decided to give Systembolaget the opportunity to introduce the service as part of its regular operations. Work has now begun on making home deliveries a permanent part of Systembolaget's operations and making the service available nationwide. A successive rollout will begin, and we anticipate completing the rolling out during 2021.

Home delivery sales are an adaptation to societal trends, and a prerequisite of our continued ability to impress our customers. The service does, however, also impose demands on us in ensuring that sales



continue to be made in line with our mandate. We are, as a result, providing ongoing training for the drivers, all of whom are external, to ensure compliance with Systembolaget's social responsibility and that the customer interaction is based on Systembolaget's values and customer promise. The drivers shall, just as in our stores, ensure that the recipient is at least 20 years old, and that they are not visibly intoxicated. The driver shall also refuse delivery if they suspect illegal resale. Proof of age checks are conducted in partnership with Better Business – the same external party who carries out proof of age checks in-store.

IMPROVED HANDOVER BY AGENTS AND IN-STORE

In 2019, we updated the signage of the 150 of our agents who have had the most customers (in total, they had over 90 per cent of the agent customers). The update is designed to ensure that our customers feel at home, wherever they encounter us, and that our signage better displays our selling rules.

We have also tested a new solution designed to make it easier for our customers to pick up from our physical stores any items they have ordered. The solution comprises a collection point in the store where the customer enters their order number on a screen. A signal is sent to a store employee's mobile phone, and the store employee then collects and hands over the customer's items. The idea is that this solution will both ensure better customer interactions and make life easier for our store staff.

DEVELOPMENTS IN THE PHYSICAL STORES

When we develop the offering in our physical stores, it must not lead to additional sales or to us setting aside our selling rules. Customers must be able to rely on us selling responsibly. All in-store improvement work is,

therefore, designed to meet our customers' requirements and expectations at the same time as we continue to work in line with Systembolaget's mandate. This approach was also the basis for our new store concept that we developed and tested in 2015 and 2016. 44 stores have now been renovated in line with the new concept, with work on nine of these stores completed in 2019.

In 2018, we offered our customers the opportunity to collect goods they had ordered outside the Sergels Torg store in Stockholm. The trial, which did not go well because the store received only a few orders, has consequently been terminated.

PROOF OF AGE CHECKS IN THE CUSTOMER INTERACTION

Everyone should feel welcome at Systembolaget, but not everyone is allowed to shop at Systembolaget. We do not sell to anyone who is visibly intoxicated, anyone whom we suspect will resell the products, or anyone under the age of 20. Systembolaget's proof of age checks are an important tool that is used both in-store and in conjunction with home deliveries and by our agents.

The Swedish Alcohol Act forms the basis for our proof of age checks. The law mandates a minimum age limit of 20 for shopping at Systembolaget, but assessing customers' ages is difficult, which is why Systembolaget has an internal security rule to help in this process. We ask everyone who looks as though they could be under the age of 25 to produce a valid ID document, thereby building a safety margin into our work, with every employee personally responsible for ensuring compliance with our selling rules. The results of our proof of age checks in stores are presented on page 63.

Systembolaget works continuously to deepen our employees' understanding of all of our selling rules – proof of age checks, etc., and as part of this effort, all store employees took part in a training programme during the year during which they reflected on their personal responsibility when it comes to our selling rules.

We hope that our customers are aware of our genuine concern when we ask to see ID and follow our other selling rules. For us, this is a natural part of a good customer interaction.

ATTITUDES AND AWARDS

Systembolaget conducts ongoing stakeholder surveys, and since 2015, we have conducted an annual survey designed to paint a picture of how our customers, employees, and suppliers regard our sustainability work. In the 2019 survey, 49 per cent of respondents gave Systembolaget's sustainability work a positive review, corresponding to a year-on-year increase of 5 per cent. As in previous years, the number of negative ratings was low (3%), and the challenge lies primarily in shifting the relatively high percentage (25%) who are unable to answer the question as they regard themselves as insufficiently informed to comment. Three areas that have a strong positive effect on the overall rating and potential are promoting good working conditions and human rights in the supply chain, facilitating climate-friendly choices for customers, and the ability to offer more climate-friendly packaging options. The analysis reveals potential here, in that these are areas where the ratings of our performance are lower because many people are unaware of what we do.

Systembolaget has received a number of awards during the year. After having topped the ServiceScore list



for five years in succession, and then receiving a silver in 2018, 2019 saw us topping the list once more⁵. We won the award for Sweden's strongest brand at the Evimetrix Swedish Brand Award in the Food Products category¹³ and also won first prize in the Web Service Award competition for our intranet, when the citation said that this was a tool that created community.

Systembolaget enjoyed the highest level of confidence of all of the companies and social institutions included in Medieakademin's 2019 Confidence Barometer survey. 78 per cent of respondents stated that they had high or very high levels of confidence in Systembolaget – an increase from 71 per cent last year⁴.

Key ratios, activities and results

CUSTOMER SATISFACTION INDEX – CSI

The way we interact with our customers has a considerable influence on their perceptions of Systembolaget and our mandate. Customer satisfaction is consequently absolutely vital in enabling us to limit the harmful effects of alcohol in the long term. We conduct a Customer Satisfaction (CSI) 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 results 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 in order to enable the entire organisation to continue working on

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 the proactivity in our stores and to 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 2019, almost 49,000 customers were surveyed in our stores and a total of 31,886 customers have participated in our CSI survey, yielding a response rate of 65 per cent.

	2019	2018	2017
Customer Satisfaction Index (NKI)	85.1	84.6	84.3

The results show that the CSI for 2019 has increased by 0.5 points to a new record index level of 85.1, which means that we have passed our target figure of being in the interval between 84.5 and 85. The new CSI level is due to a positive trend in all quality areas but one, where we have remained at the same high level as in 2018. If we look at the development in the quality areas of the greatest importance in increasing our customers' satisfaction, it is apparent that our customers' perception of the service they receive from our employees in-store has reached a new record high level with an index figure of 91.5 (+0.3). Customers' perceptions of our range has also reached a new record high, with an index figure of 81.2 (+0.6). (See also the table on page 40).

The same is true of customers' perception of our social responsibility, where the index figure increased by 0.2 points to 82.4 for 2019.

	2019	2018	2017
CSI – Social component	82.4	82.2	81.5

As in previous years, stores' social responsibility was ranked highest of the quality areas, albeit the index figure remained on a par with that for 2018 (95.2). We are particularly pleased by this, as it is about the extent to which our customers see us taking responsibility for our selling rules. Last year, 97 per cent of our stores had an index rating of above 80, which is our minimum acceptable level, and this year, that figure has risen to 98 per cent. We will continue our collective efforts to improve the customer interactions of the 7 stores that are below this level. Our customers' expectations are, however, successively increasing, so we must also continue to develop, even in the stores with a high CSI rating.

Our website is the second most commonly used contact interface after the stores, where the CSI has increased to 77.8 (+1,2). For our ordering service, in that just over 70 per cent of orders are now placed digitally, the CSI rating has increased to 92.4 (+0.4). Here too, we hope to be able to continue this positive trend in 2020, when we will be launching a new online store in order both to improve the way in which we meet our customers' needs, and to be able to offer a simple and smooth online customer interaction.

	2019	2018	2017
CSI – Sustainability	74.9	73.4	72.3
CSI – Sustainability/environment	74.8	73.2	72.6
CSI – Sustainability/social	75.6	74.4	72.7

The part of CSI that relates to Systembolaget’s sustainability work has also increased to an index figure of 74.9 (+1.5). A new formulation of the question asked* has, however, affected comparability with previous years.

We do, however, continue to face a challenge in this area in that many people are not aware of what Systembolaget is actually doing in the sustainability area, which is reflected in a lower response frequency. We are, therefore, keen to make further improvements in the way that we conduct sustainability-related work that makes a positive contribution to achieving the global goals. We also need to clarify our ambition and the goals for our sustainability work by communicating what we do.

*** Previous formulation**

Systembolaget takes extensive responsibility for efforts to protect the environment.

Systembolaget takes extensive responsibility for efforts to improve working conditions and promote human rights in the supply chain.

New formulation

Systembolaget takes responsibility for efforts to protect the environment and reduce climate impact.

Systembolaget takes responsibility for efforts to improve working conditions and promote human rights in the supply chain.



A carefully selected range

Why this is important

Our range and our expertise are the core of Systembolaget’s offering. We must offer every customer in Sweden a range that meets their needs.

We are continuing, in partnership with our suppliers, to develop a range that increases customer satisfaction, enables sustainable choices and informed consumption – and which helps ensure an impressive customer interaction. The range is based on brand-neutral, non-discriminatory, and transparent principles.

Our range-related work takes a long-term and methodical approach and is designed to support both the entirety of Systembolaget’s mandate and our customers’ needs. It also has the potential to inspire customers to make informed choices, whether that involves choosing a product in a smaller packaging, a product with a lower alcohol content, or a product that is produced in a more sustainable way.

Our customers shall be able to rely on Systembolaget to sell responsibly, and this responsibility permeates our work on our range.

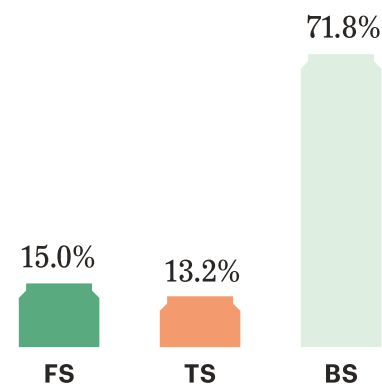
	Fixed range (FR)	Temporary range (TR)	Available for order range (OR)	Total
2019				
Number of items ¹	2 500	2 200	12 200	16 900
Million units sold ²	890	25	14	929
Million litres	490	11	10	511
Net sales (SEK m) (value ex. VAT)	29 900	1 141	911	31 900

¹ Active on 31 Dec

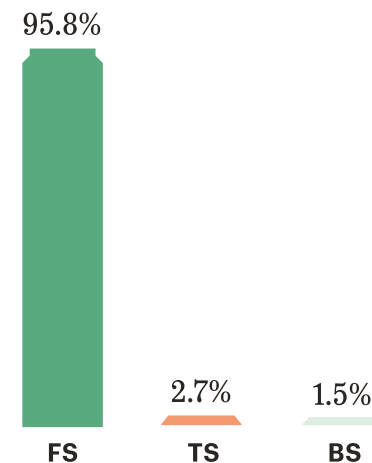
² Number of bottles, cans, boxes, etc., sold

The 2019 range

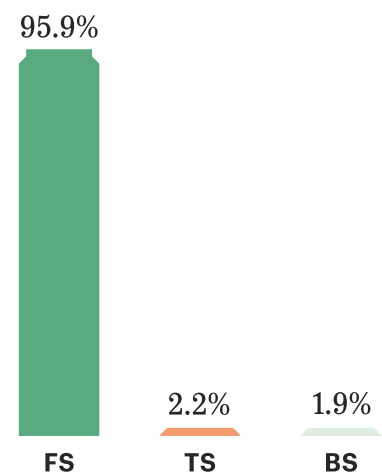
Number of items



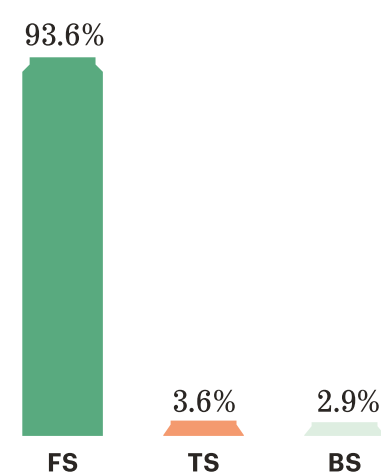
Quantity/sold units²



Sales volume (l)



Sales (SEK)





Direction and strategic initiatives

Our purchasing department tries out several thousand drinks from all over the world every year. The choice of drinks bought in for Systembolaget's range is determined by customer demand, which is affected by factors such as season, festivities, and national and international trends.

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.

OUR PROCUREMENT AND EVALUATION PROCESS

Systembolaget has a centralised and transparent procurement and evaluation process for alcoholic drinks, which includes blind tastings and laboratory tests, and is based on:

- **Non-discrimination** – Systembolaget's general procurement terms and conditions for the purchase of drinks is the same for all drinks suppliers. The T&Cs are applied equally to all drinks suppliers and are amended in line with pre-determined norms.
- **Objectivity** – Customer demand largely determines, within the context of Systembolaget's range, which items are included in Systembolaget's range.
- **Brand neutrality** – Our procurement process and evaluations are conducted in a brand-neutral way. The requests for tender that Systembolaget issues in

conjunction with the procurement of alcohol drinks, and which entails blind tastings, are one example of this. The people conducting the blind tastings have no knowledge of the brand in the glass.

OUR RANGE

Customer demand is at the heart of Systembolaget's range-related work. We track both consumer behaviour and drinks trends, and adapt our range continuously. All of Systembolaget's stores shall carry a range that corresponds to demand in that particular store. The size of the range depends on the store's customer base – and if a particular product is not carried in a particular store's range, it can be ordered in, thereby ensuring our customers have access to the entire range throughout Sweden. Orders placed in the stores also form the basis for analyses of future ranges.

We have been working to update our range model since late 2017. The aim of this work is to increase customer satisfaction with the range, to increase the efficiency of our range work in stores, and to generate preconditions for an improved customer interaction. The innovations in the new range model include an extension of the evaluation period for new products from three to six months in order to create a more stable range. We have also adapted our evaluation process for seasonal products in order to ensure that we have the right range at the right times of year.

Systembolaget's range comprises

- the fixed range (FR), which comprises around 2,500 items;
- the temporary range (TR), which comprises around 2,200 items, and
- the available for order range (OR), which comprises around 12,200 items.

Our range breakdown

Systembolaget's Fixed Range accounts for 96 per cent of our sales in litres 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. It shall meet customers' needs, irrespective of their preferences when it comes to price, packaging size, country of origin, alcohol content, or taste profile. The allocation of the range to the individual stores is done in a brand-neutral way and is based on customer demand.

The Temporary Range accounts for 2 per cent of our sales in litres and comprises a number of sub-categories. We have revised the temporary range categories in 2019 and the new categorisation is shown below:

- Temporary Range – Exclusive (TRE) is our range of exclusive items that are manufactured and procured in small volumes. The products have very limited availability and a relatively high price level. New items are launched several times a month. The quantity is limited, and the range is consequently only carried by a limited number of stores. All of the products are available for order at systembolaget.se. The most exclusive items can only be ordered online.
- Temporary Range – Volume (TRV) is a new category that includes beer, wine, and spirits. The category covers products available in limited quantities, which have a good reputation, and which are in substantial demand in the market. It also includes less well-known products that create a breadth in the range. The price of a bottle of wine starts at SEK 90. A repurchase clause exists for this section of the range if the product sells in excess of a given volume, whereby the



next vintage can be bought in by Systembolaget if the producer and supplier so wish and the price is right.

- 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. Easter beer, mulled wine, and schnapps are some of the products included in this range. The products are carried for the duration of the season.
- Temporary Range – Time (TRT) is a new category for beer products bought in during a specific period. It is the only temporary range, other than TRLS where we do not guarantee to buy in a given volume. Suppliers must calculate for themselves how much they will sell during a specific period.
- Temporary Range – Local and Small-scale (TRLS) comprises craft products and those produced in limited volumes. Our local and small-scale range offers a wide variety of different types of beer, spirits and wine. All of the drinks are tested and described by bouquet and taste by Systembolaget’s experts. This range gives smaller producers a route to the local market. Customers can, in addition to the local range carried in our stores, also order around 1,000 local and small-scale products from all over Sweden. In 2019, for example, we launched 840 different items from 347 producers. The number of producers increased by 66, which is the biggest increase since the range was introduced.

The Available for Order Range accounts for 2 per cent of our sales in litres. Drinks suppliers can list products that have not been bought in for one of Systembolaget’s other ranges for inclusion in the Available for Order range. The items can then be ordered in our

stores, from agents, and at systembolaget.se for delivery from the drinks suppliers’ stocks. The Available for Order range allows us to offer our customers an even broader range and the items that prove particularly popular may, after evaluation, qualify for inclusion in the fixed range.

If the customer is looking for an item that is not included in Systembolaget’s range, we offer the option of privately importing the item from another country.

AVAILABILITY AND RESPONSIBILITY

Range availability is a prerequisite of our ability to continue impressing our customers. Systembolaget has a nationwide retail network of 446 stores and around 490 agents. Every store is allocated a range mix adapted to customer demand in that specific store – irrespective of the size of the store or its location.

Systembolaget’s physical stores carry between around 500 and 3,000 different items, depending on the size of the store. Our entire range is, furthermore, available for order via systembolaget.se, where our customers can order drinks for collection from one of Systembolaget’s stores or agents. Customers can also request home delivery of the drinks. Home delivery has been available on a trial basis since 2012 and was made permanent after a Parliamentary decision to that effect during the year, see page 32.

We have expanded our capacity during the year to meet our customers’ expectations of service. The expansion took the form of the construction of a new goods depot in Stockholm, the identification of new methodologies and product flows, and the expansion of functionality in our systems. Our new product depot moves the goods closer to the customers and will, in the longer term, en-

able us to supply all stores with customer-ready packaged items from the depot. The new solutions will also enable us to increase the fill rate and to use cartons in a new way. We have also trialled creating filler material from waste cartons during the year.

RANGE SUSTAINABILITY

Ensuring that Systembolaget’s range is produced sustainably is a top priority for us. Our goal is to sell high quality drinks that have been produced and delivered under good working conditions and with as little impact on the climate and the environment as possible. We will, therefore, continue to impose more stringent sustainability requirements for the entire range – and to follow up on compliance – and are working to ensure that the entire range is traceable (see page 44). We are also working with a transition to packaging with a reduced climate impact (see page 39).

Some of the important components of our sustainable range are shown below:

1. Organic products

For a number of years now, as part of our efforts to reduce Systembolaget’s environmental footprint in the supply chain, we have invested in meeting the substantial customer demand for organic drinks. Organic products now account for 13 per cent of our sales volume. We are both delighted and proud that we, in cooperation with the industry and our customers, are continuing to contribute to the positive eco-trend.

Organic products: share of sales	2019	2018	2017
Volume as a % of total sales	13.3	13.0	12.6



We achieved our goal of 10 per cent of our volumes sold comprising organic products long before 2020 – way back in 2016, in fact. Our current goal is for there to be organic alternatives in as many product segments as possible, and in 2019, we had organic alternatives in 93 of our total of 178 product segments. The development in the number of segments with organic alternatives over the past three years is shown in the table below.

Organic range ¹	2019	2018	2017
Number of items	466	448	428
Number of segments with organic items	93	91	77

¹ The term, range, refers to items in our fixed range.

Our efforts to maintain and develop a broad organic range pose a number of challenges. One of these challenges lies in the fact that in certain product groups, the number of organic alternatives available is strictly limited. These crops are, furthermore, often more sensitive, which can impact harvests. The poor harvests in 2017 and 2018, for example, have resulted in many suppliers finding it difficult to deliver in the volumes demanded. This variable availability, coupled with increasing global demand, has resulted in increased competition for those volumes that are available, and this trend will probably continue.

It takes several years to switch from conventional to organic cultivation and in order to make the process more secure for producers and, in the long term, create a good range of organic products, we have longer initial contract periods for organic and ethically labelled products than for conventionally produced drinks. Organically cultivated drinks are guaranteed twelve

months on our shelves before any adjustments are made to distribution, in comparison with nine months for conventionally cultivated drinks.

2. 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. 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.

In 2018, we had 45 ethically labelled items in our fixed range. In 2019, the number of ethically labelled items fell to 42. Ethically labelled items are currently only available in the wines segment and come from only a few countries, making it harder to highlight them while maintaining brand neutrality. Our ambition going forward is to increase the number of ethically labelled items by investing on guiding customers to make more sustainable choices.

3. Climate-friendlier packaging

Packaging accounts for the biggest share of Systembolaget's indirect environmental impact. According to the Sustainable Brand Index (2019)¹², packaging is the most important issue that Systembolaget needs to address, and one that interests all customer groups, including those who are less interested in sustainability.

We have actively worked in 2019 on increasing the per-

centage of lighter weight glass bottles and other types of packaging with a lesser climate impact, using such means as imposing requirements and dialogues with suppliers. Our ambition, when requesting products in the large volume segments, is to require lighter weight glass bottles or PET bottles.

We set a new climate goal in connection with packaging in 2019: by 2023, we shall reduce the quantity of carbon dioxide emissions from our packaging by 10 per cent, relative to current sales volumes. We have noted an increase in carbon dioxide emissions from packaging in recent years linked to, amongst other things, a premiumisation trend that has resulted in increased sales of heavy bottles. Our goal for 2023 is both ambitious and challenging in this respect, and if we are to achieve our goal, we must continue to encourage a transition to lighter weight glass and PET bottles, to launch more drinks in cans, and to invest more in cardboard packaging.

4. Smaller packaging and lower alcohol content

We are continuing to broaden and deepen our offering when it comes to smaller sized packagings, both in bottles and in cardboard packagings. And from a public health viewpoint, it is good if our customers are able to buy smaller drinks packagings to ensure they do not consume more than intended. We have accordingly brought in several new 1.5 litre boxed wines during the year – in contrast to the larger 3 litre ones – and they have proven to be popular. We have also requested beer in smaller packaging from our suppliers.

Another trend that we are pleased to see is that customer demand for drinks types – such as beer and cider – with a lower alcohol content is growing relative



to drinks types with a higher alcohol content, such as spirits. This has resulted in an increase in the number of items in our range with a lower alcohol content.

5. Our alcohol-free range

Switching from alcoholic drinks to alcohol-free alternatives can, in many respects, be described as the most sustainable health switch that our customers can make. We are also seeing an increase in demand for alcohol-free drinks and are working constantly to develop and improve the quality of our range.

GUIDING CUSTOMERS TOWARDS SUSTAINABLE CHOICES

Social and environmental sustainability are playing an increasingly significant role in our customers' purchase decisions. Systembolaget works, every day and in a variety of ways, to reduce our climate footprint, to save the earth's resources, and to promote social sustainability. We are keen to encourage our customers to make informed choices, and to make these choices easy.

If we are to get to the point where customers are more likely to choose the sustainable range, and where their appreciation of the range increases, we must make information about the range more easily accessible and actively persuade more people to understand why sustainable products are a good choice– and what a sustainable choice actually is. This is an ongoing project for us.

Packaging is one area where we have the potential, in partnership with our customers and suppliers, to reduce our climate footprint. In 2019, Systembolaget carried out a SIFO survey of packaging, showing that our customers are uninformed in this area. Three out of every four, for example, did not know that glass bot-

tles are the least climate-friendly packaging for wine. Almost half – 43 per cent – believed that PET bottles were the poorest environmental option, which is not the case.

In order to improve packaging awareness, we have conducted in-store campaigns during the year, communicating the fact that you can actually make a difference by your choice of drinks packaging, and informing people about the most climate-friendly types of packaging. In our online store, users can sort products by packaging type and the most climate-friendly alternatives are marked to make it easier for our customers to make sustainable choices.

List of ingredients requirements for drinks is another topical issue when it comes to sustainable choices. We are monitoring the ongoing discussion within the EU on this subject and hope that it will result in regulations that clarify customer information so that they can be informed consumers. We are also, in parallel with this, working to provide customers with additional, more detailed information on our website.

Key ratios, activities and results

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 (CSI).

CSI per category within range and offering	2019	2018	2017
Customer Satisfaction Index (CSI) Range and offering	81.2	80.6	80.4
Red wine	81.8	81.4	81.2
Beer	79.7	78.9	78.6
New items	77.6	76.7	76.6
Organic	80.6	79.9	79.6
Ethical	78.4	77.6	77.1

Overall, we have seen a steady increase over the past few years, with a new record level of 81.2 (+0.6) achieved in 2019. Customers' perception that the range is characterised by high quality is increasing (+0.5) and all range categories are making progress. It is also good to see that the two biggest categories (red wine +0.4 and beer +0.8) are developing positively. Customers' attitudes towards new items in the range are also improving, increasing strongly by 0.9 points, and both the organic and the ethical range have shown increases, rising by 0.7 and 0.8 points, respectively. All categories are, therefore, meeting demand.



Sustainable supply chain

Why this is important

We have a responsibility to minimise our negative impact and maximise our positive impact, whether regarding the environment and climate, or from a social perspective. This is true throughout our operations, and hence, throughout our products' supply chains.

Systembolaget's annual materiality analysis is an important basis for our work. The analysis shows that the areas which have the greatest impact on sustainable development are the promotion of human rights in our purchasing countries, and good working conditions in the supply chain. Climate impact throughout the value chain is another material area. The materiality analysis consequently clearly shows that the direct and indirect impact that occurs within the supply chain is a key focal area for Systembolaget, and we are, accordingly, working systematically to develop, influence, and monitor sustainability in the supply chain in a transparent way.

Systembolaget's operations are global and our supply chain is sometimes complex. The majority of our 800 or so active drinks suppliers, who supply over 16,900 items for our range, have sub-suppliers and they, in turn, have sub-suppliers of their own. There are, in other words, a great many people who work to produce and deliver the drinks that Systembolaget sells. Which means that our indirect impact on the climate and envi-

ronment – from cultivation, through drinks production and transportation, to packaging – is substantial.

Direction and strategic initiatives

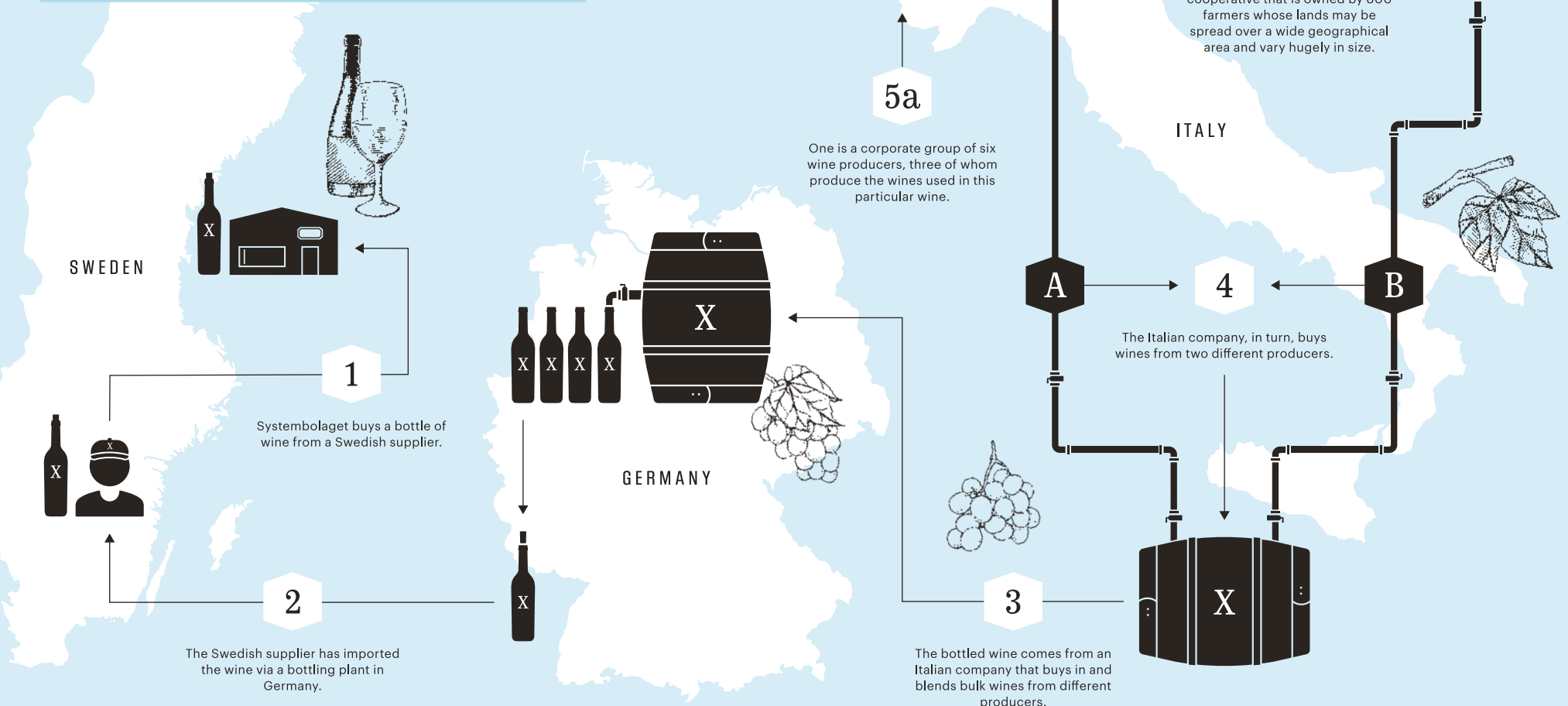
Our Owner's Policy stipulates that State-owned companies shall be on the cutting edge when it comes to sustainability, and that they shall work actively to comply with international guidelines regarding environmental considerations, human rights, working conditions, anti-corruption, and business ethics. Systembolaget's range shall, in line with this, be traceable. This is a prerequisite for serious and proactive sustainability work, and we endeavour to ensure both that all items in our range are included in our risk analysis and that we impose requirements in our supply chain that are based on specific risks for working conditions, human rights, and environmental risks.

It has become increasingly clear what it means for a company to respect human rights. The launch of the UN's guideline principles for companies and human rights has played a key part in this development, as they help companies to prioritise their measures. Compliance with these principles is also included in the State's Owner's Policy for State-owned companies.



SYSTEMBOLAGET'S SUPPLY CHAIN

Systembolaget's operations are global and our supply chain is complex. The majority of our 800 or so active drinks suppliers have sub-suppliers and they, in turn, have sub-suppliers of their own. An advanced example of our procurement process can look like this:





REQUIREMENTS FOR SUPPLIERS AND PRODUCERS

When they accept Systembolaget’s purchasing terms, our suppliers undertake to comply with the requirements of our external Code of Conduct and its associated monitoring systems. The Code has formed part of our purchasing terms since 2012 and was developed by the amfori Business Social Compliance Initiative (BSCI), a global, non-profit organisation that works to promote social responsibility in a variety of sectors and which sets requirements for everything from raw materials production to finished products¹⁴. The principle governing compliance with the Code of Conduct means that every supplier is responsible for the working conditions of their respective sub-suppliers – throughout the supply chain:

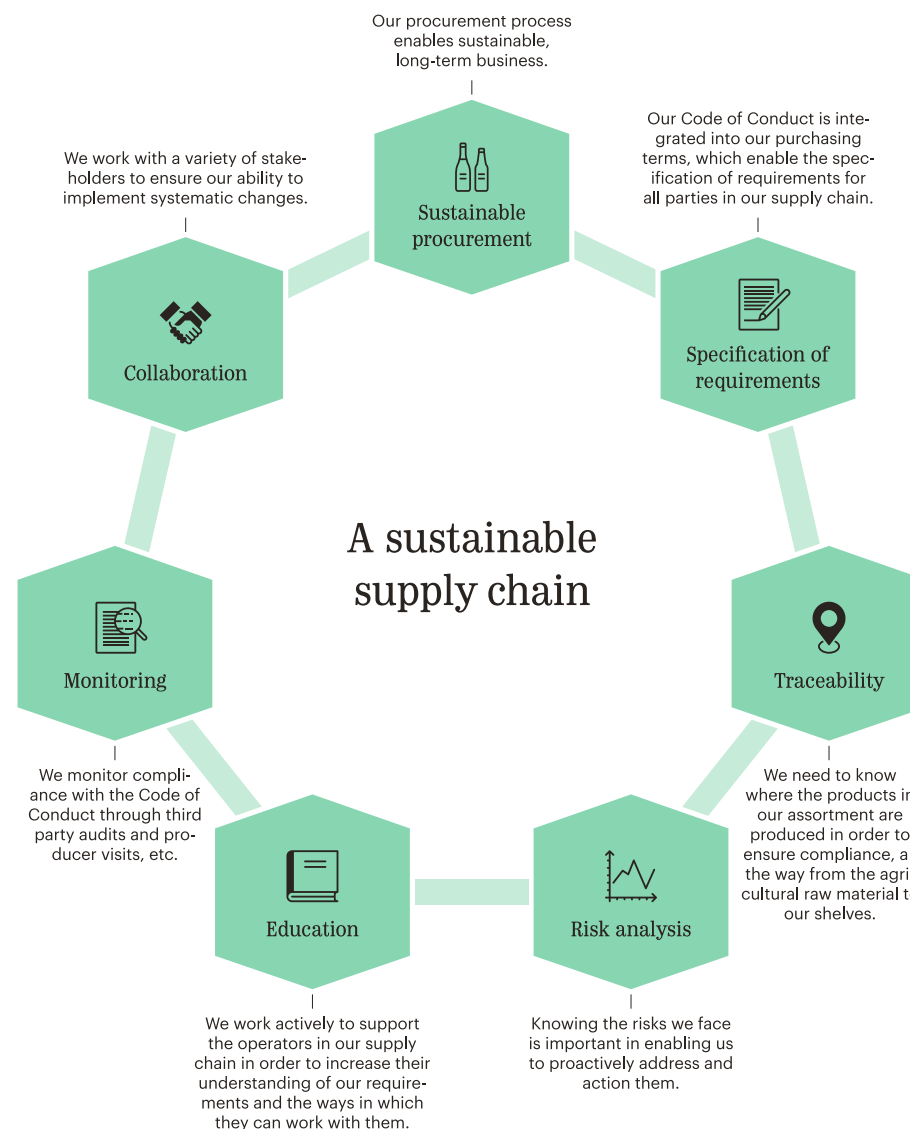
1. Freedom of association and collective negotiations
2. Non-discrimination
3. Wages
4. Working hours
5. Health and safety
6. A ban on child labour
7. Protection for young workers
8. Security of employment
9. A ban on forced labour
10. Environmental protection
11. Business ethics

The Code 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;
- the UN’s convention 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.

CLARIFIED REQUIREMENTS

In 2018, we made two clarifications to our purchasing terms: one clarification related to the involvement of trade unions in the follow-up work, while the other related to in-depth





analyses in connection with human rights. Systembolaget's purchasing terms were further updated in 2019 in the form of increased sustainability requirements.

In the autumn of 2019, Systembolaget worked on clarifying the Code of Conduct's requirements in relation to the sections concerning the environmental sphere, e.g. climate, biological diversity, energy, resources, waste management, and chemicals usage. The plan is to gradually apply and implement this part of the Code of Conduct in 2020 in partnership with the suppliers and by means of, amongst other things, written clarifications and guidelines, training courses and surveys, and through communication and dialogues with producers and growers.

TRACEABILITY

Systembolaget has been carrying out systematic monitoring of compliance with our external Code of Conduct in the supply chain since 2014. But with around 800 suppliers and several thousand products, prioritising our measures has been vital, and so in 2019, we launched a new digital sustainability platform and a variety of tools and methods for mapping and following up on our sustainability requirements in the supply chain. The digital platform enables better and broader traceability and is, furthermore, a better tool for monitoring all parties concerned – the suppliers, producers, and farms involved in a supply chain. The platform has enabled us, in 2019, to map around 2,600 products, i.e. the entire fixed range, rather than, as was previously the case, on the order of 500 products. Collectively, these 2,600 products account for about 95 per cent of our total net sales. Our goal for 2020 is to use the sustainability platform to risk assess every single existing product in the fixed range and to also include all products launched during the year on a rolling basis.

RISK ANALYSIS – DUE DILIGENCE

We believe we can exert the greatest influence in areas where we are a major purchaser, and we will, therefore, continue to focus our systematic monitoring activities from 2020 onwards on our fixed range, irrespective of country of origin. All ranges are, however, covered by our external Code of Conduct and our purchasing terms, which means that all items will be mapped, in arrears, in our sustainability platform.

All items, irrespective of sales volume, origin, or range, are also covered by our incident management process, which addresses potential deficiencies arising in relation to products that we do not systematically and proactively monitor.

Updated risk assessment

In 2019, we updated our general risk assessment by procuring and developing a more comprehensive "at risk" country analysis from Verisk MapleCroft that is based on more ESG (environment, social, and governance) indicators than was previously the case. The result of the broader analysis shows that sustainability risks exist in all countries of origin – and that the difference between traditional "at risk" countries and countries with a lesser risk has shrunk. Some countries have a very low social risk, but correspondingly higher environmental risks, while this risk situation is reversed in other countries. This means that we must, in future, work with monitoring and focusing on more countries on a broader scale than before. It also means that we have chosen to look at risks in relation to specific indicators, rather than to specific countries. These indicators will enable us to pick up on risks that are of relevance to our industry and the agricultural sector. This approach also includes risks highlighted in our Code of Conduct and which are included in our Human

Rights Due Diligence analysis (HRDD) – which is the analysis of the human rights that our operations affect from a global perspective.



MOST CRITICAL RISKS	CRITICAL RISKS	LESS CRITICAL RISKS
Modern slavery and exploitation of migrant workers, especially in agricultural production in cross-border areas (such as southern Europe and California)	Excessive overtime	Workers' children – and especially seasonal/migrant workers' children – not attending school
Deficient freedom of association and collective bargaining, overall and especially in relation to informal, seasonal, and migrant work	Precarious employment conditions due to informal, seasonal and migrant work, sometimes through middlemen/agents/recruiters and especially in the harvesting of agricultural products	Unemployment due to automation, especially amongst women and African migrant workers in southern Europe
Discrimination based on race, ethnicity, nationality, gender, social origin, political status or any other status, and harassment of low skilled/precarious workforces	Lack of or substandard housing standards, especially in South Africa	
Use of pesticides/chemicals and lack of personal protective equipment, especially in the harvesting of agricultural products	Land issues in agricultural production	

MOST CRITICAL RISKS	CRITICAL RISKS	LESS CRITICAL RISKS
Other occupational health and safety risks, such as injuries, physical pain, cancer due to e.g. sun exposure, hearing loss, etc.		
Lack of living wage/insufficient wages, including bonus payments in wine potentially leading to alcohol abuse		
Use of excessive force by security forces in the protecting of land and/or housing facilities		
Child labour		
Use of water and its impact on local communities, especially in water scarce areas		
Violence and abuse, particularly against women and children in employee families due to alcohol use/abuse		

The HRDD analysis will also form the basis for the ongoing development of our sustainability work in the supply chain. The summary of the main risks for breaches will, amongst other things, provide support for our work in a range of different forums and networks in which we intend to participate.

The HRDD analysis has, in addition, comprised an important component of the work on Systembolaget's 2020-2023 strategic plan, and on the strategic shift in relation to human rights in the supply chain.



CERTIFICATIONS

In 2019, Systembolaget conducted a comprehensive mapping of various sustainability initiatives in order to make the most of and boost regional and local sustainability work being done in the production of wine, spirits and beer in different countries. The aim was to carry out a qualitative assessment of different labelling and certification systems, and to evaluate how the knowledge gained can best be used to strengthen Systembolaget's work and communication on the subject of sustainability in the range. The results of the mapping work will be used to produce an overall assessment of sustainability risks, but will also be used in connection with targeted regional requests for tender and as part of the product information in communication with customers. Our new digital sustainability platform also enables us to chart more initiatives and certifications than before, which will facilitate our risk assessment at producer and product level.

EDUCATION

In 2019, we have continued to focus on training measures aimed at producers and conducted by amfori. 36 of Systembolaget's suppliers and producers completed a total of 132 courses (modules) in Argentina, Chile, Italy, Mexico, and South Africa during the year. The highest participation numbers were recorded in South Africa, followed by Italy.

MONITORING

Our audits are an important element of our monitoring work to ensure compliance with the Code of Conduct. These independent third-party reviews are conducted on site at the producers or farms where the raw materials for the drinks are cultivated. An annual audit plan is drawn up on the basis of our risk assessment.

When producers fail to live up to our Code of Conduct 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 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.

WORKING WITH INCIDENTS

Systembolaget sometimes receives reports of abuses or shortcomings at producers who are not undergoing an audit process. These reports 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. Our incident management process for reported incidents is conducted in close dialogue with our Swedish suppliers, and Systembolaget follows up on any incidents reported, wherever they may occur in the world.

COLLABORATIONS

The Nordic alcohol monopolies

Systembolaget cooperates within other Nordic monopolies within the framework of NAM, The Nordic Alcohol Retail Monopolies, on issues relating to social and environmental sustainability. We have a joint Code of Conduct and share experiences on issues relating to risk analyses, our follow-up work, educational measures, and personal learning. Working together on a range of issues enhances our ability to influence terms and conditions in our respective supply chains.

The social responsibility and environmental groups have held regular check-ins and face to face meetings in 2019. The social responsibility group has, amongst other things, held joint meetings with amfori on education activities for industry operators. The environmental group conducted a joint field trip to Austria on the themes of the certification of sustainable wine production and of organic and biodynamic cultivation. The focus in 2019 has been on information gathering in relation to practices in relation to energy consumption and climate impact in the production stage of the chain, and on the work previously initiated on developing packaging with a lower climate footprint.



In 2019, and in collaboration with other Nordic alcohol monopolies, we procured a more in-depth risk report that will form the basis for the ongoing risk assessment of sugar cane-based products. The risk report was presented in September at a seminar in Helsinki, to which the Nordic alcohol monopolies invited importers, producers, and other industry-specific organisations. The focus was on sugar cane cultivation in connection with the rum industry, and its affect on working conditions and health.

amfori

Systembolaget intensified its involvement with amfori in the spring of 2019. This intensification has, amongst other things, involved jointly initiating a deeper and more regular dialogue with the other Nordic monopolies, focusing on specific sustainability challenges and activities relating to our industry. Representatives of Systembolaget's sustainable supply chain unit will also take part in a number of working groups that will be working to strengthen amfori's work in the years ahead.

Systembolaget is represented in the following groups:

- Member Advisory Council.
- Audit Integrity Programme.
- amfori System Project Group.
- Social Issues in the Food Industry Project Group.
- Sustainable Wine Program.

Sara Norell Murberger, Systembolaget's Departmental Director for Range, Purchasing, and Supply, was, furthermore, elected to the Board of amfori during amfori's General Assembly, which was held in Brussels in June.

Ongoing partnership with IUF

In 2017, Systembolaget, in partnership with SPF Unionen (Systembolaget's local union branch) and the

Swedish trade union, Unionen, launched a global partnership with the international trade union organisation, IUF (The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations). The aim of the partnership is to cooperate with trade union organisations to improve working conditions in the alcohol industry. The partnership gives local trade unions the opportunity to convey information on abuses directly from employees in the supply chain. In practice, the partnership means that the local trade unions report potential incidents to IUF, who then escalate them to Systembolaget, SPF and Unionen. IUF consequently acts as a link between Systembolaget and a multiplicity of local trade unions.

In 2018, the parties involved identified a clear need to provide the local trade unions with information on how they can use this channel. We also identified challenges in building local confidence in the process and in getting all the parties to communicate within one another within the framework of the partnership. Accordingly, the parties to the partnership have worked actively to increase the local trade unions' knowledge of the agreement in 2019, and to inform other parties of the work being done. To this end, a number of training courses were held for the trade unions, dialogue meetings were held with suppliers, and a separate dialogue meeting was held with producers. A workshop was also held with the biggest and most relevant trade unions, at which the final reporting process was presented, and the trade unions were given the opportunity to describe their perceived requirements. The biggest such requirement was that local union representatives be trained in the reporting channel included in the MoU, and three process-related training courses were accordingly arranged during the year.

Systembolaget also organised a supplier meeting specifically intended for suppliers who trade with South Africa, with the aim of informing the suppliers about the partnership with IUF and obtaining their feedback. The suppliers highlighted the importance and necessity of involving the producers in the work and this feedback from trade unions and suppliers resulted in a producer meeting being held in South Africa attended by around 80 producer representatives. The producers appreciated the attempt to create an incident process and transparency in relation to the work.

Global Deal

In 2018, we also signed up for Global Deal. This is an initiative that aims to improve the dialogue between the labour market's parties and national governments in order to improve employment conditions and productivity. In Systembolaget's opinion, the Global Deal plays an important role in bringing stakeholders together, both in Sweden and internationally.

Stronger Together

In 2018, Systembolaget joined the Stronger Together initiative in South Africa, which works to prevent modern slavery in the agricultural sector there. In 2019, the initiative has continued its work, providing training and expanding its operations to include more agricultural products.

Stronger Together has now also developed a programme for the USA in which Systembolaget will be involved, and which will focus on responsible recruitment. Stronger Together USA will organise roundtable discussions, produce toolboxes and training courses for American producers. Systembolaget's ambition is for this programme to increase awareness of these issues in our supply chains.

**The Drinks Industry Climate Initiative**

The Drinks Industry Climate Initiative was launched in 2017 by Systembolaget, the Swedish Spirits and Wine Suppliers' Association (SVL) and the Swedish Brewers' Association to see how we can work together to benefit the climate. Our ambition, by measuring our carbon dioxide footprints, setting individual and collective goals, and improving and sharing good examples, is for the Initiative's participants to be climate neutral by 2045. Our goal is also to act as a role model for other industries and to realise the Initiative's vision of "A drinks industry with zero climate impact, where every drop counts." Every drinks industry supplier is welcome to join the Initiative.

In 2019, the Initiative's participating operators have reported using a shared tool to enable measurement, monitoring and goal-setting for their climate impact. 42 suppliers took part in the reporting, corresponding to 74.3 per cent of the volume sold in Systembolaget's fixed range. A workshop on the Climate Initiative's goals, based on the Green House Gas Protocol 15, was held in the autumn, at which the following scopes were agreed:

- Scope 1: Fossil fuel-free by 2030
- Scope 2: 100 per cent renewable energy by 2030
- Scope 3: To produce a consequence analysis based on the climate reporting in 2019, in order to be able to set concrete goals in 2020.

This year's CEO Day included a workshop on the road ahead for the Climate Initiative, which resulted in two focus areas being identified: packaging and transportation.

Ethical Trade Initiative (ETI) Sweden

ETI Sweden is a collaboration platform made up of companies, trade unions, and civil society organisations who want to work together to address chal-

lenges in global supply chains. ETIs already existed in Denmark, Norway, and the UK when, in the spring of 2019, Systembolaget was asked to join a working group aiming to launch a Swedish ETI. We drew up objectives and organisational proposals during the year, and in December 2019, the decision to form ETI Sweden was taken.

There are numerous networks attempting to address these challenges, but ETI Sweden is different in that it brings together different types of stakeholders, making it an interesting forum in which Systembolaget is keen to participate in order to strengthen our efforts to establish a sustainable supply chain.

Oxfam

In the autumn of 2019, we began working on an HRIA (Human Right Impact Assessment) with the help of Oxfam. The first stage involved conducting a number of interviews with people with various functions across Systembolaget. We followed this by investigating our purchases' impact on human rights in Italy, in cooperation with a number of suppliers. The analysis is scheduled for completion in 2020 and the results will form the basis for our ongoing efforts to establish a sustainable supply chain and ensure sustainable purchases.

SUSTAINABLE PURCHASES

Ensuring that our own business model does not contribute to an increase in risks associated with working conditions and corruption/ethics, or cause a greater impact on the environment and climate than necessary, is an important aspect of Systembolaget's strategic work. In 2019, we began analysing these issues with regard to different drinks categories (beer, wine, and spirits) and have launched an overall analysis of our procurement process from a sustainability perspective.

Activities planned for 2020 include:

- a situation analysis of our procurement process from a sustainability perspective;
- deepening our insights into corruption risks in purchase countries, and drawing up of an action plan for managing these risks;
- analysis of what a sustainable and viable deal means in terms of costs for different products and regions;
- development of customised action plans for sustainable procurement for different countries/regions/product categories.

A pre-launch sustainability check has been carried out for all new items from "at risk" countries in our fixed range since 2017. In 2019, this comprised a total of 158 items, four of which failed to meet the criteria and were consequently not accepted for inclusion in the fixed range.

Key ratios, results, and activities

SUPPLIERS' SUSTAINABILITY MATURITY

Systembolaget has systematically monitored suppliers' sustainability maturity by means of self-assessment in the form of a questionnaire-based survey since 2017. The survey is aimed at all of the suppliers behind the products in our fixed range and a 100 per cent response rate is required.

The following table shows that all of the suppliers behind the products sold in our fixed range demonstrate a clear understanding of their responsibility in the supply chain, and that they are working proactively and systematically with their respective producers.



KPIs	2019 (fixed range)	2018 (fixed range)	2017 (risk)
“Understanding and responsibility”:			
Percentage (%) of suppliers responding to the situation analysis questionnaire within the designated timeframe	93.0	100.0	–
“Proactive and systematic approach”:			
Percentage (%) of suppliers who have conducted a risk analysis of their supply chain	58.0	56.5	63.3
Percentage (%) of suppliers who have guidelines or a process in place for regular evaluations of social responsibility in the supply chain	53.0	47.9	60.0

In 2018, we reported a total figure for the surveys conducted in late 2017 for Fixed Range suppliers from “at risk” countries, and in 2018 for the remaining Fixed Range suppliers.

In 2019, the analysis comprised all of the Fixed Range suppliers. 93 per cent responded to the survey within the designated timeframe, which is below the target level of 100 per cent. We did, however, receive responses from all suppliers before the end of the year. The percentage of suppliers who had conducted a risk analysis of their supply chain has increased, year on year, but still failed to reach the 2019 target figure of 75 per cent. The same trend is apparent for the percentage of suppliers who have guidelines or a process in place for the regular evaluation of social responsibility in their supply chain, where there is a marked increase but where there was also a failure to reach the 75 per

cent target figure. We believe, however, that the ongoing implementation of Systembolaget’s sustainability platform means it is highly likely that the 100 per cent target figure will be achieved in 2020 and subsequent years, in that all Fixed Range items are included in the systematic monitoring initiated by Systembolaget through the sustainability platform. In previous years, the only suppliers affected were those whose products came from previously identified “at risk” countries, as they are known.

Suppliers’ understanding of and responsibility for compliance with the sustainability requirements laid down in our purchasing terms will play a key role in our efforts going forward. The suppliers must also be able to demonstrate that they are working systematically with this issue. The goals are laid down in the sustainability strategy drawn up in 2019, and defined goals for 2030 and subsidiary goals for 2023 have been specified and approved in the new strategy.

PRODUCER VISITS

A total of 31 producer visits were completed in Italy in 2019, with all of the producers selected in 2018. The reason why more producer visits were not carried out in other countries of origin is that 2019 saw Systembolaget focus on the implementation of the sustainability platform and, in connection therewith, continued its development of monitoring processes launched in 2020. A further 35 or so producer visits were conducted in the USA in 2019, along with 5 or so in Austria, in order to develop the monitoring tool. These producer visits are not reported as they did not, formally speaking, follow the same structure as those reported in the previous four years.

A total of 193 visits have been carried out over the four

years during which Systembolaget has conducted producer visits.

AUDIT RESULTS

This key ratio is used to measure the outcome of the audits and to compare the results of original audits with follow-up audits, one year later. This enables us to see whether the producers have improved their working conditions and whether they are working continuously to secure human rights in their supply chain. In 2019, we conducted around 70 third party audits in accordance with amfori 2.0.

11 per cent of the producers and farms audited in 2019 were new to Systembolaget audits. Of those previously audited (Full or Follow up in accordance with amfori’s standard method), improvements were noted in 21 per cent of cases, with 19 per cent remaining unchanged, and 60 per cent achieving full compliance with the Code of Conduct at the time of audit.

The summary of the results of completed audits differentiates between significant and less critical deviations. The line between them is drawn on the basis of amfori’s regulations.



Based on the amfori 2.0 Code of Conduct	2019	2018	2017
Number of suppliers participating in an evaluation of social conditions	71	85	186
Number of suppliers with a significantly negative impact on social conditions	23	54	136
Number of suppliers with a less critical negative impact on social conditions	69	79	182
Number of identified significant deviations with regard to social conditions in the supply chain	26.0	67.0	317.5
Number of identified less critical negative deviations with regard to social conditions in the supply chain	354.5	472.0	1 827.5

When we speak of suppliers evaluated, we refer to producers and sub-suppliers.

A comparison of the result of normal deviations in the audit programme in 2019 with those in 2015 shows a shift from an average of 14.4 to 5.0. This shows a considerable, across the board improvement, and that producers are continuing to work actively with the issues.

Improvements in occupational health and safety and increases in worker participation are two improvement areas that stand out in a positive way at detail level.

The number of critical deviations noted in an audit has gone from an average of 3.9 in 2015 to one of 0.4. The trend over the past four years has been sharply down-

wards, and despite the number of audits in 2019 being lower than in the previous year, this is indicative of a clearly positive trend. The positive trend is also apparent in the fact that we had no Zero Tolerance deviations in 2019.

Reasonable wages and discrimination are the areas that stand out in a positive way at detail level, as is the fact that there has been no downturn in the freedom of association figure. We are still seeing the biggest number of “negatives” when it comes to working hours and to occupational health and safety, with the working hours “negatives” largely due to the challenge posed by the limited harvest season.

Incidents

Five incidents were handled in 2019. Three of the incidents reported in 2018 remained unclosed and subject to ongoing follow-up work in 2019 as they could not, as yet, be classified as fully settled. One incident from 2018 was, furthermore, reopened in the light of new information received, but could be quickly closed again when it turned out to be a false alarm.

Sustainable in-house operations

Why this is important

As a large company, we have an impact on the world around us, and it is vital that we do everything we can to minimise our negative impact and maximise our positive impact on the outside world. Part of our environmental impact comes from the establishment, management, and operation of our 446 stores, depots, offices, and other operations. The environmental impact primarily comprises the various material flows to and from the operations (including construction materials, décor and fittings, packaging, IT, and clothing), the climate impact of drinks transports to and from depots, stores, and agents, our operations’ energy operations, and business travel.

Direction and strategic initiatives

Systembolaget’s sustainability work is based on the global goals, several of which apply directly to our own operations, including taking Climate Action, and working to promote Responsible Consumption and Production. We have developed a new sustainability strategy in 2019, and established clearer and more ambitious sustainability goals for our own operations in such areas as transportation, procurement, and circular materials.



All of our stores hold monthly store meetings, and in 2019, sustainability was on the agenda at all of these meetings. The aim was to increase awareness of our broad sustainability agenda and to increase confidence and competence in relation to how individual employees can, as part of their role, play a part in our sustainability work.

ENERGY AND TRANSPORTATION

One of our strategic climate goals is for carbon dioxide emissions from electricity, coolants, and leased company cars – for that part of our emissions over which we have total control, in other words – to be zero by 2023. To this end, we are implementing a variety of energy-saving measures, such as switching existing light fittings to LED lighting, removing night-time lighting in stores, and requiring the use of green electricity in our stores, warehouses, and offices.

Between now and 2023, we will be successively shifting over completely to fossil fuel-free vehicles, so in 2019, we tightened up our guidelines on leased vehicles in order to avoid vehicles with high CO₂ emissions. We are also continuing to monitor developments in the automotive industry and infrastructural expansions in order to be able to take what steps we can towards a reduced climate impact. Potential improvements in this area may include additional charging stations for electric vehicles, increased production and availability of more eco-friendly fuel, or the rate at which new and more eco-friendly car models are developed.

We have previously set a goal of all drinks transports to and from Systembolaget being fossil-free by 2030. These transports currently comprise two main flows: the larger flow involves direct restocking of stores and

is handled by our drinks suppliers via a number of distributors and their warehouses. The other, considerably small flow is the one we procure in-house in order to distribute customer orders to stores and agents, and for home deliveries. These transports go via our own depots and shall be fossil-free by 2023.

The majority of the drinks transports are currently made by truck. Electrically powered trains are, however, by far the type of land-based transportation that results in the smallest amount of greenhouse gas emissions. Train-based solutions require a different type of logistics system, however, and the longer the routes are, the greater the positive effect. We are also aware that our distributors, when it comes to choosing to transport by rail, are experiencing lead-time problems in some cases, and we are, therefore, continuing to review our existing lead times in order to enable us to use alternative transport solutions, such as trains.

We will be improving our IT support for this part of our operations as part of our efforts to increase the efficiency of our transports. Strong IT support can generate better traceability, and enable better analyses and measurements in connection with our transports and climate footprint. We are, however, reliant on technological development and fuel development – and on freight transport regulations being reviewed in order to promote a transformation within the transport industry – when it comes to achieving totally fossil fuel-free drinks transportation. Systembolaget's unique position means it has an important role in acting as a driving force and encouraging more fossil fuel-free transport solutions. We also have a responsibility to reduce the total number of transports through efficient logistics solutions. This is an important area in which we can

work in partnership with our transport subcontractors, and we are also working in partnership within our own industry as part of the Drinks Industry Climate Initiative.

REDUCING PLASTIC BAG USAGE

Systembolaget's goal is to reduce our sales of plastic bags by 50 per cent from 2016 levels by 2020. The entire store chain is deeply engaged in working towards this goal and customers are, for example, encouraged to use empty cardboard boxes and not to buy more bags than necessary.

On 1 September 2019, we raised the price of our plastic bags by SEK 1 in order to accelerate the rate of change, but we know that more than this will be required if we are to achieve our goal. In 2019, therefore, we trialled moving plastic bags behind the counter – with excellent results. In one store, sales of plastic bags fell by 48 per cent during the trial period, and by 38 per cent across the full year, and we are now moving forward, extending the trial to see if the change can be achieved in more stores.

We have made some progress towards the goal: in 2019, for example, we sold 6 million fewer plastic bags than in the previous year, and achieved a combined reduction in the sale of plastic bags since 2016 of 15 per cent. We believe that these good results from the 2019 trial and other impending measures involving alternatives to plastic bags, coupled with the impending tax increase, will enable us to achieve our goal.



Key ratios, results and activities

CARBON DIOXIDE EMISSIONS FROM OUR OWN OPERATIONS

We have a strategic key ratio for carbon dioxide emissions from our own operations, that includes direct CO₂ emissions from the company's leased vehicles and estimated indirect CO₂ emissions from the operations' electricity consumption and coolants.

CO₂ emissions from our own operations, total no. tonnes

	2019	2018	2017
Electricity consumption	1 471	2 196	3 236
Coolants ¹	0	0	0
Travel using leased vehicles	376	395	347
Total CO ₂ emissions, tonnes	1 847	2 591	3 583
Reduction/increase in tonnes CO ₂ e in comparison with the previous year	- 744		

*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 on Scope 1 and Scope 2, based on the GHG protocol¹⁵. See page 121 for further information.

CO₂ emissions from our own operations included in our strategic key ratio, and reported in the table above, fell by 29 per cent in 2019. The efficiency-enhancing

measures we have initiated resulted in a reduction in our energy consumption emissions during the year. The lower emission figures are also attributable to the fact that we have continued to verify more stores that use green electricity, which enables us to report more accurately than in previous years. In 2020, we will continue to chart the energy sources used in our facilities and work to introduce climate-friendly alternatives in more stores, in order to cut energy consumption in all of our operating premises. We will continue with both these and other new activities until we reach our goal of zero emissions from our own operations by 2023.

Our reporting cycle for coolant means that we report these figures one year in arrears, and we had seven facilities for which we are obliged to submit reports during this reporting period, namely our head office, our training and conference centre on Skarpö, and five stores. There was no coolant leakage in 2018, nor have there been any emissions from these facilities.

Emissions from travel in vehicles leased by the company declined by 5 tonnes of CO₂ equivalents between 2018 and 2019. In 2019, we procured a new partner for our leased vehicles in order to improve our ability to achieve our goal of a completely fossil fuel-free fleet.

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, and we are keen to be transparent in our dealings with our customers, owners, and suppliers. In brief, this means that in conjunction both with the purchase and sale of alcoholic drinks, we shall act impartially and in a brand-neutral way in accordance with applicable legislation. Acting transparently and in a brand-neutral way is something that is required of us due to our special role and our monopoly. Acting ethically and working to counteract corruption is, furthermore, vital if we are to build and maintain our customers' pride in us.

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 sup-



pliers 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 preventatively with corruption. These tools are presented in brief below.

OUR INTERNAL CODE OF CONDUCT

We have an internal code of conduct for all our employees. The Code of Conduct brings together several of the internal rules and policies that we apply in a single document. It includes, amongst other things, rules governing corruption and impropriety, external contacts, inclusiveness, and conduct in social media.

Our internal Code of Conduct is provided in the form of an e-training course and is mandatory for all new employees. Systembolaget's Board of Directors has also completed the course. The e-learning course is completed every year by all managers in order to ensure that the Code of Conduct and its principles are an ever-present feature of our operations.

OUR EXTERNAL CODE OF CONDUCT

Systembolaget has an external Code of Conduct drawn up by the amfori organisation. The Code imposes requirements in 11 different areas: anti-corruption, environmental protection, the work environment, health and safety, forced labour, working hours, wages and freedom of association, non-discrimination, special protection for young workers, and a ban on child labour¹⁴.

The Code of Conduct is included in Systembolaget's

purchasing agreement with all of our suppliers. Every supplier is, furthermore, required to ensure that the Code of Conduct is also applied throughout the supplier's supply chain.

OUR PROCUREMENT AND EVALUATION PROCESS

Systembolaget has a centralised and transparent purchasing and evaluation process which, in accordance with Systembolaget's Owner's Directive, shall be conducted in an impartial, non-discriminatory, and brand-neutral way. We apply the same terms and negotiate in the same way with all drinks suppliers. The process is based on non-discrimination, objectivity, and brand neutrality (see page 37).

All of Systembolaget's stores follow our centrally approved display and positioning rules.

OUR POLICIES

All of Systembolaget's policies are a matter of public record, and can be viewed at omsystembolaget.se, as part of our efforts to be transparent.

MONITORING ROUTINES

Systembolaget gathers reports on suspected improprieties through a number of channels, such as our whistleblowing system and our ethics advisors. All reports on suspected improprieties are collated by our Head of Compliance and Ethics. This gives us a good overview of the incidents and enables potential "patterns" to be detected at an early stage.

ETHICS DIALOGUES

All managers are tasked with holding an Ethics dialogue with their immediate colleagues once a year. Ethics dialogues are also held ahead of training trips and in other situations, as the need arises. The aim of the Ethics

dialogues is to bolster our ability to act in accordance with Systembolaget's values and to talk about issues that seldom have an unambiguous answer.

The implementation of the annual Ethics dialogues is reported digitally in order to improve quantifiability and monitoring. In 2019, 94 per cent of managers reported that they had conducted an Ethics dialogue with their colleagues.

THE WHISTLEBLOWER CHANNEL

Systembolaget has an external whistleblowing system. This channel gives both employees and external parties, such as suppliers, the chance to report Systembolaget employees in senior or key positions who the informant suspects of serious improprieties. Unsatisfactory state of affairs can also be reported here.

Applicable routines state that all whistleblowing reports received shall be categorised. The cases are initially handled by our Head of Compliance and Ethics, and the head of the HR department. Those cases categorised as whistleblowing are investigated and reported to Systembolaget's President.

A handful of reports were received via Systembolaget's whistleblower channel during the year. After investigation, all of these reports proved to be matter for the HR department, rather than being classifiable as cases of whistleblowing, and related to such issues as deficient leaderships, reports of perceived discrimination, or problems in connection with work environment and work organisation.

ANNUAL REPORTING

Our Head of Compliance and Ethics compiles and presents an annual report to the Board of Directors, via



its ethics and sustainability committee. The aim is to ensure that the Board is familiarised with any incidents and with the compliance work carried out.

Key ratios, results and activities

CONFIRMED INCIDENTS OF CORRUPTION

This key ratio measures incidents where we have discovered breaches by employees of the preventative routines that we have put in place to counter corruption.

Reported incidents of corruption¹

	2019	2018	2017
Total number of confirmed incidents of corruption ¹	3	5	9
Total number of confirmed incidents where employees were subjected to occupational law-related disciplinary measures due to corruption	3	5	9
Number of legal proceedings resolved in a public court of law or administrative court due to incidents of corruption	0	0	0

¹ This 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 determined. 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.

Systembolaget endeavours to create a transparent culture in which improprieties are highlighted and

incidents reported. Follow-up work and training measures are also important elements of these efforts and in 2019, we saw that this work has resulted in a decline in the number of incidents. Of the three incidents confirmed in 2019, one involved activities on social media, while the other two related to the application of our internal rules governing side-line occupations and/or product placement.

We are aware of the risk of some incidents not being reported, and the fact that incidents do occur shows the importance of ongoing training in and information on our rules and the ethical dilemma if we are to maintain a focus on these issues throughout the organisation.



STRATEGIC SHIFT #2:

Increase awareness of alcohol's risks and why Systembolaget exists

Alcohol is not like other products. It can cause harm, not just to individual drinkers, but also to their nearest and dearest, and to society at large.

The goal of the Swedish alcohol policy, which is set by Parliament, is to reduce the medical and social harm caused by alcohol. In achieving this goal, it is extremely important to reduce the total consumption of alcohol in society. And this is precisely why Systembolaget exists: if sales of alcohol are made without any attempt at profit maximisation, alcohol-related problems are reduced.

Systembolaget's information mandate is important in giving people a realistic picture of the risks potentially entailed in alcohol consumption. To this end, and within the framework of our information mandate, we hold seminars for the general public and implement wide-ranging communication measures. We create tools, such as those used to counter illegal resale, and we finance research, in order to acquire new knowledge and then pass this knowledge on to society as a whole.

Research financed by Systembolaget in 2019 included a study of the social costs of alcohol. The study showed that alcohol's cost to Swedish society exceeds SEK 103 billion per annum, that alcohol is involved in one in every two cases of assault in Sweden, and that 625,000 alcohol-related sick leave days are taken every year¹.

IQ, Systembolaget's subsidiary, works to promote a smarter approach to alcohol. IQ's goal is to highlight society's strong normalisation of alcohol and the alcohol-related problems that still exist in our society.



The benefits of Systembolaget

Why this is important

The more alcohol people drink in a society, the greater the problems in the form of accidents, violence and disease¹⁶.

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.

This is the background to Systembolaget’s clear social mandate: to engage, through a monopoly, responsibly and with a high standard of service, in the retail sales of alcoholic beverages and non-beverage alcoholic products, and to inform people about the harmful effects of alcohol. Achieving the latter requires research, a clear programme of information work, and an ongoing dialogue with different parts of society.

Sweden is located in that part of the world that has the highest level of alcohol consumption – Europe – and the challenges Europe faces in this area are substantial¹⁷. Swedish alcohol consumption levels are amongst the lowest in Europe, very largely due to the fact that Sweden’s alcohol policy model is built around what the WHO calls “best buys”: regulated prices, limited marketing, and limited availability¹⁸.

A majority of Swedes nowadays support the retention of Systembolaget’s monopoly. Our customers believe that Systembolaget makes a difference and that our monopoly results in fewer people being harmed by alcohol. At the same time, however, our monopoly is being challenged by e-commerce, for example, and the debate on whether so-called farm sales should be allowed. Which is why we need to continue developing and improving our offering, wherever the customer chooses to interact with us. It is also important that we have consistent and cohesive legislation adapted to contemporary society and which enables close supervision.

Direction and strategic initiatives

Systembolaget is working in a variety of ways to create societal benefit, including collaborative efforts, communication campaigns on alcohol’s risks, and tools that help people make informed decisions.

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 life¹⁹. This is why our countering illicit resupply work is so important.

Walpurgis Night, the final day of the school year, and Halloween are all examples of the sort of high days and holidays when young people come into contact with

alcohol, many for the first time. 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.

We have continued with our anti-illicit resale communication work in 2019, in the form of, amongst other things, the “Banga snyggt” campaign, designed to help young adults say no to teenagers who ask for alcohol by providing readymade text replies and humorous GIFs that they could cut and paste into text messages, etc. The campaign was primarily spread via social platform advertising and in cooperation with influencers. The target group comprised young adults (aged 20-25) and ran around Walpurgis Night, the end of the school year, Midsummer, and the autumn break.

ENGAGEMENT IN THE CUSTOMER INTERACTION

Every interaction with a customer here at Systembolaget gives us the opportunity to inspire people to consume more mindfully. We use our range, the customer interaction, and communication to increase people’s knowledge of the choices available to them.

PARTNERSHIP ABOUT ALCOHOL AND CHILDREN

Systembolaget is keen to create greater engagement in the alcohol issue in general, and with regard to children who suffer as a result of adults’ drinking in particular. To this end, Systembolaget and IQ initiated the “Barndom utan Baksmälla” collaborative effort in 2018 in partnership with BRIS, Trygga Barnen, Maskrosbarn, and the World Childhood Foundation.

The goal of the partnership is, by means of increased awareness and increased engagement with society, to improve conditions for children suffering as a result of an adult’s alcohol consumption. We want to work pro-



actively to persuade more parents and other adults to think about and talk about their own alcohol habits and the ways in which adults' drinking can affect children. We also want more adults to act in line with what is best for the child: according to a SIFO survey from 2018, 33 per cent of adults have noticed recurring, problematic use of alcohol in an adult who lives with one or more children, but has done nothing.

In 2019, we initiated and communicated a literary study mapping the number of children growing up with a parent with alcohol problems². The study is the first international review of the area in which the authors have included studies at population level and thereby also included the large group of children whose parents are not in treatment.

Two of the central conclusions of the study report are that:

- 320,000 children in Sweden have suffered from a parent's or carer's alcohol problem during their childhood.
- Societal support for children in these vulnerable situations is often lacking.

The Hangover-Free Childhood partnership has also produced a guide in conjunction with the publication of this report and entitled *Avgörande ögonblick* [Critical Moment]. The guide contains 10 concrete pieces of advice on what adults can do when they see a child suffering as a result of a parent's alcohol problems.

Systembolaget has also, in addition to the Barndom utan baksmälla project, launched a partnership with the Swedish Association of Midwives during the year. The aim of the partnership is, amongst other things, to equip midwives with knowledge and arguments they

can use when talking about alcohol with prospective parents, both before, during and after pregnancy. Working together, we have produced and launched an information film entitled *Alkohol före, under och efter graviditet* [Alcohol before, during and after pregnancy], which is aimed at professionals working in the field. The next step in the partnership was also launched in the autumn, namely a film for prospective parents. The aim of the film is to get them to think about alcohol and parenthood.

Increased social dialogue

Why this is important

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, stakeholders, and the Swedish public view topical alcohol issues, and Systembolaget consequently conducts an active programme of dialogue, both inside and outside Sweden.

Direction and strategic initiatives

Our efforts to enhance social dialogue are more about creating a dialogue than about simply providing information. As part of our work and implementation of our mandate, we organise seminars and discussions, and work in a variety of ways to inform and listen to decision-makers and people who mould public opinion.

DIALOGUE WITH STAKEHOLDERS

Systembolaget maintains an active dialogue with a range of stakeholders. In 2019, we attended several national political parties' major events in the capacity of an exhibitor. We addressed such issues as our range, with the focus on our mandate to reduce the harmful effects of alcohol and on our local and small-scale producer range. Other issues discussed were our plans for new store openings, our opening hours, our selling rules, and our efforts to counter illegal resale. Systembolaget has also maintained an active dialogue with authorities and organisations with an interest in alcohol issues during the year.

During the Almedalen Week, Systembolaget, as part of the Barndom utan baksmälla partnership, organised a seminar in collaboration with BRIS, Maskrosbarn, Trygga Barnen, and IQ. The seminar also saw the launch of our *Avgörande ögonblick* [Critical Moment] guide, that was developed within the framework of the partnership.

A Government Committee will be appointed during the current mandate period and tasked with investigating farm sales of alcoholic drinks. The starting point for the Committee's work is that Systembolaget's monopoly



shall be secured. The Committee's investigative work will be conducted as part of the "January Agreement", a four-party agreement between the Social Democratic, Green, Centre and Liberal parties.

Systembolaget offers politicians with an interest in public health policy and related issues in-store work experience. Over the past year, both local politicians and MPs have done work experience in our stores throughout Sweden. Giving them practical experience of different aspects of work in a Systembolaget store gives them a reality-based and concrete means of seeing what our employees experience on a day-to-day basis, and thereby enables a more informed dialogue about our operations and the benefits of Systembolaget.

LEGAL SITUATION

It is of the utmost importance that Sweden has a coherent, restrictive alcohol policy – which also presupposes alcohol legislation that keeps up with societal development and that there is a functioning supervision system.

Systembolaget's monopoly also obtains in the digital sphere, and Systembolaget has consequently attempted to obtain clarity on the rules governing distance selling (when operators sell and distribute alcohol to customers in Sweden via the Internet) during the year. Systembolaget elected to sue Winefinder AB and Winefinder ApS in the Patent and Market Court, seeing to create clarity on the issue, as these two companies are illegally marketing and selling alcoholic drinks to Swedish consumers. The case is ongoing, and a ruling is expected in the autumn of 2020.

We have also been following developments on the major social media platforms during the year. "Booze

accounts", as they are known, are commonplace on social media and are used for bootlegging and illegal sales of alcohol, not least to children and young people. Systembolaget has initiated dialogues with the major platforms in order to reduce the number of young people obtaining alcohol in this way.

INTERNATIONAL COLLABORATION

Systembolaget has an ongoing dialogue with other Nordic alcohol monopolies, and monopolies in the USA and Canada, on issues of common interest, such as public health, sustainability in the supply chain, and quality assuring our drinks. We have established several working groups to address a range of issues, and meet regularly.

The most recent meeting between the international monopolies was held in Oslo on 26-28 August 2019 in conjunction with the International Alcohol Retail Monopolies Conference. A joint outcome document was signed during the conference, with the aim of accepting shared responsibility for spotlighting public health and the role of alcohol in society.

The Nordic monopolies met in the Faroe Islands in November 2019.

Systembolaget also works to maintain a good dialogue with the World Health Organisation and conducts ongoing dialogues with stakeholders and operators at EU level. Issues that we are monitoring with considerable interest at a European level include alcoholic drink imports and lists of contents on beer, wine, and spirits.

Knowledge sharing

Systembolaget organises public, free of charge seminars on a range of different themes throughout Sweden during the year. The aim of these seminars is to share knowledge with everyone who has a private or professional interest in alcohol research and alcohol's role in society.

Systembolaget has published an annual report, the Alcohol Report, since 2017 with the aim of painting an overall picture of alcohol in Sweden. The report compiles the latest facts and statistics, and also has a different theme each year.

In early 2019, we held seminars in Lund and Karlstad on the theme of the 2018 Alcohol Report²⁰ – alcohol, mental illness, and passive drinking – at which we presented, amongst other things, the latest research in this area. We also, in partnership with Gothenburg University and CERA (the Center for Education and Research on Addiction), organised a seminar in Gothenburg on alcohol and working life, which is the theme of the 2019 Alcohol Report³. A similar seminar was also held in Stockholm.



Tools that help increase mindfulness

Why this is important

Drinking alcohol can be harmful, both for the individual drinker and for the people around them. If the risks are to be reduced, our customers need both information and opportunities for mindfulness. Which is why developing tools that can inform and help increase mindfulness is an important part of Systembolaget's mandate.

Direction and strategic initiatives

Systembolaget and our independent subsidiary company, IQ, work in a number of ways to increase our customers' mindfulness. IQ's mandate is to promote a smarter approach to alcohol, and they work, via know-how and communication, to create mindfulness with regard to alcohol consumption – both one's own and other people's.

The best chance of getting this type of message across is in settings in which people come into contact with alcohol in one way or another. Which is why IQ is developing digital and analogue tools that can reach people in specific situations.

IQ has worked with a number of initiatives during the year – see below for a few examples.

THE TEENAGE PHRASEBOOK

The Teenage Phrasebook handbook offers facts and tips for parents of teenagers²¹. The aim of the handbook is to make conversations about alcohol between parents and teenagers easier and, hopefully, help postpone their alcohol debuts. The book is sent to all legal guardians of children who have their 14th birthdays during the year.

110,000 copies of *The Teenage Phrasebook* were sent out to registered guardians' home addresses in 2019, and the 2019 evaluation showed that 6 out of every 10 parents had discussed the contents of *The Teenage Phrasebook* with their teenager, and that over 80 per cent had saved it. 75,000 copies of the *Phrasebook* were also handed out at Systembolaget's stores during the year.

IQ made a short film during the year, highlighting the different issues raised in *The Teenage Phrasebook*. The film is intended to support discussions during parent/teacher meetings, and short versions of the film have also been made and distributed digitally amongst the "parents of teenage children" target group.

IQ also produces information material based on *The Teenage Phrasebook* in order to support people working with local, alcohol-prevention measures. A brochure entitled "*Alcohol and Teenagers*" is one example of this and is aimed at parents who have recently arrived in Sweden, providing information and tips in a range of languages.

The Teenage Phrasebook is also published online in both Swedish and English, and is available as an audiobook at tonarsparlören.se.

"FOTBOLL UTAN FYLLA" [SOBER FOOTBALL]

IQ has continued to work on its collaborative project, "Fotboll utan Fylla" [Sober Football] in 2019, working in partnership with, amongst others, STAD (Stockholm prevents alcohol and drug problems), Swedish premier league football clubs, the police, and sports arenas. The focus in 2019 has been on identifying more football stakeholders who are keen to get involved and grow the project, so that it can continue to thrive.

IQ INSPIRERS

IQ inspirers works to increase local engagement in alcohol issues, and to spread good examples of alcohol-prevention measures. Nine Systembolaget employees have taken on the role of IQ Inspirer, over and above their work in-store.

NETWORK MEETINGS

In the autumn of 2019, IQ organised inspiration meetings on the theme of alcohol, sex, and relationships among young adults in three towns across Sweden: Gothenburg, Malmö and Luleå. The aim of the meetings was to build a local network of people engaged in preventing the harmful effects of alcohol. IQ's report for the year, entitled IQ's report for the year, entitled *Röster om alkohol, sex och relationer bland unga* [Voices about: alcohol, sex, and relationships among young people] was presented at the meetings, and its findings discussed from both a local and a national perspective.

THE ALCOHOL PROFILE

IQ has been running Sweden's biggest self-assessment tool for alcohol habits, "The Alcohol Profile", since 2009. Every year, around 100,000 people take the test, which is particularly popular in the 18-25 age group. In 2019, we redesigned the entire test from the ground up in order to improve the technology and



make the test more user-friendly.

ALCOHOL, SEX, AND RELATIONSHIPS AMONG YOUNG PEOPLE

The focus area for IQ's work in 2019 was alcohol and sex, and in the spring, we produced a report on the subject with the aim of highlighting the various links between alcohol and sex and of creating a more open dialogue in relation to the issue.

The combination of alcohol and sex is not necessarily a bad one, but alcohol does impair judgement, and this is also the case when it comes to the area of sex and relationships. The report focused on young adults, because they were already known to be the leading at-risk group when it comes to sexual health, exposure to risk, and risk-taking. In communicating the report, we have focused on the fact that alcohol must never be an excuse for bad behaviour.

In the autumn of 2019, we followed up on the report with an online influencer campaign aimed at young people aged between 18 and 25. The aim of the campaign was to get young people to think about their behaviour in relation to alcohol, sex, and relationships.

ALCOHOL AND MENTAL HEALTH

In the summer of 2019, IQ launched a special initiative in partnership with the MIND organisation, addressing issues relating to alcohol and mental health. We held a joint seminar on the theme during the Almedalen week and also highlighted the issue in op-ed pieces, etc.

ALCOHOL INDEX

Swedes' attitudes to alcohol are an important issue for Systembolaget and IQ. IQ's Alcohol Index is a combined measurement of Swedes' attitudes to alcohol,

with the emphasis on binge drinking. The Alcohol Index is generated from responses to nine questions asking what people see as right or wrong when it comes to alcohol in various situations. The data gathering is carried out by Novus and commissioned by IQ, and the questions are put once a year to people aged 16 and above. The lower the index value, the more permissive the attitude to alcohol.

The Alcohol Index was first measured in 2010, yielding an index value of 61.7. The index value has varied over the years, with the highest value of 65.6 being achieved in 2013 and the lowest, 61.4, reported in 2018. The 2019 value was 61.6.

	2019	2018	2017
Alcohol Index	61.6	61.4	62.0

The Alcohol Index responses are summarised in three different attitude groups: permissive, moderate, and restrained. Over the last 10 years, the percentage of people in the "moderate" group has increased from 36 per cent in 2010 to 42 per cent in 2019, while the "permissive" group has shrunk by 5 percentage points during the corresponding period. The "restrained" group has shrunk marginally from 29 per cent to 28 per cent.

WORKDAY INDEX

A number of questions about workday drinking are also posed in conjunction with the Alcohol Index survey. The responses make up the Workday Index which, as with the Alcohol Index, comprises a scale from 0 to 100. The 2019 index figure is in line with last year's showing that the trend towards a more permissive attitude to drinking beer and wine on weekdays has

tapered off.

	2019	2018	2017
Workday Index	55.1	55.0	56.4

Research and facts

Why this is important

Alcohol research is of great importance to the entire range of Systembolaget's operations. 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 – and supporting alcohol research and data gathering in a variety of ways is consequently an important part of Systembolaget's mandate.

Direction and strategic initiatives

The independent Alcohol Research Council is an important player in Systembolaget's research work. Systembolaget subsidises research work, but it is the Council that decides which research projects will receive the funding. Systembolaget finances or partially finances a number of scientific studies every year in the areas of medicine, and social and public health in this way every year, with special priority given to preventative work in relation to alcohol-induced harm. In 2019, the Alcohol Research Council comprised 15



members – nine researchers and six societal representatives.

The total research subsidy for 2019 was SEK 10 million. SEK 3 million of this was earmarked for research in the “The consequences for children of adults’ alcohol consumption” focus area. SEK 6 million was freely allocated to alcohol research, and SEK 2 million was earmarked for applications from recent doctoral graduates.

33 of the 62 applications received in the 2019 round of applications were approved, and a project catalogue containing brief descriptions of all projects granted funding was produced.

ANNUAL ALCOHOL RESEARCH CONFERENCE

Systembolaget organises an annual, two-day conference on alcohol research. The conference’s target groups are researchers, civil servants, and civil society, and this year’s conference brought together just over 80 delegates. The Nordic region was one of the themes of the conference, which brought together researchers and civil servants from our Nordic neighbours.

INVESTMENTS IN JUNIOR RESEARCHERS

In 2018, a roundtable discussion was held with junior researchers from the Nordic countries to collect views on how the regrowth in alcohol research can be boosted. The results of the discussion included Systembolaget’s expansion in 2019 of its investment in junior researchers by doubling the sum earmarked for recent doctoral graduates in the year’s round of grant applications.

A science festival, “ForskarFredag” [Researcher Friday] is held on the last Friday in September every year. Systembolaget took the opportunity, under the

ForskarFredag banner, of organising a conference on 27 September during which presentations by ten or so junior researchers granted subsidies or grants by Systembolaget in recent years were amongst the items on the agenda. The conference was open to the public and brought together around 100 participants.

TARGETED RESEARCH PROGRAMMES

In December 2018, Systembolaget organised a hearing with researchers from a variety of higher education institutions on the subject of children growing up in families with alcohol abuse issues. A number of gaps in our knowledge were identified, and in order to fill these gaps, Systembolaget engaged CAN (The Swedish Council for Information on Alcohol and Other Drugs) to conduct a systematic review of literature on the subject of children growing up in families where an adult has an alcohol problem. The report will be used as, amongst other things, a shared knowledge base within the framework of the Barndom utan baksmälla partnership of which Systembolaget is a member.

The focus area for the 2019 round of grant applications has also been expanded to help further build knowledge in this area.

PRIZES AND GRANTS

Systembolaget awards an Achievement Prize every year to reward leading researchers who have contributed new know-how in the field of alcohol research. The 2019 prize was awarded to Peter Allebeck, Professor of Social Medicine at the Karolinska Institute. Prof. Allebeck received the prize for his significant contributions to alcohol research, for having contributed a scientific basis to society’s efforts to reduce alcohol-related harm, and for having communicated his research to society in an outstanding way.

In 2019, Systembolaget’s research stipend for junior researchers was awarded to psychologist, Sara Wallhed Finn, who works at the Karolinska Institute. She was awarded the stipend to enable the continuation and furthering of her research into prevention and treatment measures, with the emphasis on the health and medical care sector.

Systembolaget also awards the annual Bertil Göransson travel grant to a junior researcher. The 2019 grant was awarded to Stina Ingesson, who is a licensed psychologist and doctoral student at the Karolinska Institute. Her current field of research relates to the loss of control in conjunction with alcohol consumption amongst both young people and adults.

THE MONITORING SURVEYS – ALCOHOL CONSUMPTION IN SWEDEN

Systembolaget has been tasked by the Ministry of Health and Social Affairs with responsibility for financing annual measurements of alcohol consumption in Sweden. The survey is conducted by the Swedish Council for Information on Alcohol and Other Drugs (CAN) and entails complementing 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, and its definitive findings are reported, one year in arrears, in the Responsibility Report.

The results of the 2018 Monitoring Survey were published in September⁶, and showed that alcohol consumption in Sweden in 2018 had fallen slightly from the previous year’s levels, and totalled 8.8 litres per head of population aged 15 and above. Imports by travellers fell, while restaurant sales increased. Systembolaget



accounted for 65.5 per cent of sales of the alcohol consumed in 2018, and our share of sales has, therefore, increased at the same time as overall consumption fell. The report shows that total alcohol consumption in Sweden declined by 7 per cent between 2009 and 2018. See CAN's Report #184, *Alkoholkonsumtionen i Sverige 2018* [Alcohol Consumption in Sweden, 2018] for further details.

In March 2020, CAN published preliminary figures for 2019 indicating that total alcohol consumption in Sweden fell by approximately 1.5 per cent, and that imports by travellers had increased at the same time as purchases of smuggled alcohol decreased, and that Systembolaget's share of sales increased by approximately 1 percentage point, year on year. These small movements in comparison with previous years indicated by the preliminary report are not statistically secured, and the definitive 2019 report will be published in September 2020.

POPULATION SURVEY OF ATTITUDES AND CONSEQUENCES

Systembolaget has granted CAN financial support for a five-year follow up of a survey that addressed a number of important aspects of the alcohol situation in Sweden that are not covered by other national alcohol surveys. Examples of unique data generated include Swedes' attitudes to alcohol policy and alcohol restrictions, their motives for drinking, and a number of questions on drinking patterns and alcohol-related problems. The survey is being conducted in a number of European countries and the aim is to make comparisons with countries that use the same method as in the Swedish survey. Method analyses will also be carried out by an international group of researchers in order to compare the effects of different data collection methods, and the

survey is, therefore, important in terms both of monitoring developments and evaluating the reliability of different data gathering methods in measuring alcohol habits, the consequences of alcohol, and the population's attitudes to alcohol. The project was launched in 2019 and the final report will be presented in 2020.

Key ratios, results and activities

Systembolaget sets goals for and follows up on several key ratios and performance indicators linked to our purpose of limiting the harmful effects of alcohol. The indicators we use in this area are the Alcohol Index, total consumption, and Systembolaget's share of total consumption (see page 101). These indicators, coupled with the Opinion Index and Proof of Age Checks strategic key ratios, indicate how well we have succeeded in fulfilling our mandate: to engage, through a monopoly, responsibly and with a high standard of service, in the retail sales of alcoholic beverages and non-beverage alcoholic preparations, and to inform people about the harmful effects of alcohol. We are, at the same time, aware that our operations are only one of the many factors that affect the results.

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 9,208 interviews were conducted in 2019. The OPI is reported both quarterly and for the full year.

Opinion Index (OPI)	2019	2018	2017
%	73.9	76.5	76.9

The 2019 full year figure for those wanting to retain Systembolaget's monopoly is 73.9 per cent, and corresponds to a qualified majority who are still in favour of Systembolaget's monopoly. The 2019 figure does, however, mean that the level of support has fallen by 2.6 percentage points, and we have consequently failed to achieve our goal for 2019 of 77.5 per cent. The percentage of people who do want strong beer, wine, and spirits to be sold in other stores has increased to 19.9 per cent (+1.5%), while the percentage who did not express an opinion has increased to 6.3 per cent (+1.3%).

More in-depth analyses show that the reasons for the decline in support is that more people believe that it is up to the individual, not someone else, to take responsibility for their alcohol consumption and/or that free enterprise is perceived as more important than the restrictive alcohol policy of which Systembolaget is part. A qualified majority continues to support Systembolaget's monopoly, but these figures show

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



the importance of continuing to remind people of the benefits that the monopoly brings, and of the fact that restricting the availability of alcohol contributes to better public health and that individuals’ decisions can also affect other people, such as children and other family members.

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 age limit-related selling rules. A total of 5,923 control purchases were carried out in stores in 2019, and it is these purchases upon which the strategic key ratio is based. The result does not, therefore, include the proof of age checks carried out by agents and in conjunction with home deliveries. Proof of age was requested in 95.2 per cent of the control purchases carried out in stores, which is in line with the results last year.

Proof of age checks	2019	2018	2017
%	95.2	95.6	95.6

The results show that the percentage of approved test purchases continues to be high albeit just under the target figure of 96 per cent. The results for proof of age checks in stores has remained stable at this level for the past five years. The number of proof of age checks in the 21-year old age group has fallen to 96 per cent, which is below the target figure of 98 per cent, while the number of proof of age checks for the 20-year old age group has increased to 98 per cent. This figure is, however, still slightly below the target figure for this age group of 99 per cent.

We will continue to work systematically with day-to-day learning, informal training by colleagues and formal training courses, to develop our proof of age checks and get closer to our target figure. Our success in this area is monitored continuously through our proof of age check surveys.

Proof of age checks in conjunction with home deliveries, and those carried out by agents, will be included in the strategic key ratio from 2020 in order to further increase the focus on all types of proof of age checks carried out.



STRATEGIC SHIFT #3:

Creating optimum conditions for achieving our goals

Our employees are our most important asset. If Systembolaget is to achieve its ambitious goals when it comes to responsible service, sharing our expertise, and sustainability, we must create optimum conditions for all of our employees. These conditions include a good working environment, a corporate culture of which we can all be proud, and processes and structures that help develop and support our operations. We believe that delegation and involvement create engagement and that they are, therefore, important factors for success in our efforts to reduce the harmful effects of alcohol in society. Securing the talent pool at Systembolaget is a natural part of our efforts to achieve our goals.

Creating the right conditions is also important to our ability to interpret future skill requirements and tomorrow's labour. The definition of skills – and the ways in which people will work in future – are changing quickly nowadays, and we must keep pace with developments in this area if we are to continue to be an attractive employer. It is also apparent that our overriding purpose is something that both existing and potential employees appreciate, so our mandate is, in and of itself, an important prerequisite for achieving our goals.

Systembolaget is not a company that attempts to maximise its profits. Running Systembolaget in a resource-smart way – both cost-effectively and sustainably, in other words – is, however, an important part of what we do. Because doing this gives us the scope to invest more in creating optimum conditions.



We must be a role model when it comes to sustainable enterprise. This means that we shall conduct our operations in a sustainable, transparent, and ethical manner, and that we shall make the most of opportunities to create sustainable value and new, innovative business models. This is a must if we are to meet the sustainability challenges that the world now faces.

Securing the talent pool

Why this is important

We want our customers to be proud of Systembolaget, of our mandate and how we fulfil it – and of the difference we make in society. This is key in terms of retaining our mandate and our continued ability to work to reduce alcohol-related harm in society. One of the most important factors in creating and maintaining this pride is the expertise of Systembolaget’s employees.

We work in two ways to enhance and secure our talent pool: finding the right people for us, as a company, in conjunction with new recruitments, and ensuring that our existing personnel are happy and can develop continuously in their jobs. Being recognised as a good employer lies at the heart of our ability to attract, develop, and retain talented employees -which, in turn, creates proud customers.

Direction and strategic initiatives

We believe that good leadership creates proud and engaged employees, which is why Systembolaget has been working for many years now to develop our leaders. Systembolaget’s management structure shall create optimum conditions that allow our employees to do their jobs well and achieve their goals.

IT and our online skills serve two functions in this context: they create conditions and they assist in operational development. They are central to our ability to deliver on our customer promise, but they are also vital keys to operational success in that they support internal processes, contribute to a good working environment, and help our employees develop.

LEADERSHIP AT SYSTEMBOLAGET

We have been working to develop our leadership at Systembolaget for a number of years now in line with a clear, shared strategic objective. 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. It is via our leaders that we create the conditions for good performance environments. And it is through delegated responsibility and clearer mandates that our employees improve their ability to ensuring that our customers are proud of Systembolaget and the difference we make in society. Our managers are responsible for creating conditions for learning and development by their colleagues, but at the same time, we work hard to ensure that all employees are able to take responsibility for their own development. We also emphasise the importance of managers and

employees alike being afforded the conditions in which they can exercise and develop their personal leadership skills. Personal leadership training courses for Head Office employees, which began in 2018, have continued in 2019.

We have completed a development programme for Area and Unit Managers during the year in order to enhance their expertise and engagement in five key areas: diversity and inclusiveness, climate and the environment, change management leadership, innovation, and external corporate profiling. The programme has been partially integrated into the regular spring and autumn management meetings, with the addition of two further development days during the year. During the periods between these meetings, the participants have also worked in smaller networking groups and shared their experiences and ideas on a rolling basis via an online forum.

“KRAFTEN I 5 000” EMPLOYEES

The “Kraften i 5 000” [The strength of 5,000] employees are Systembolaget’s engine and direction during the current strategic period, and we will continue to use this name, even though we now have around 5,800 employees at Systembolaget. The “Kraften i 5 000” employees concept is a strategic approach that addresses how we want to bring about improvement in both Systembolaget and everyone who works here. Our aim, through the strength of 5,000 employees, is to achieve an increased engagement and sense of participation, an increased group efficiency, and stronger personal leadership.

Cooperation and collaboration, both internally and externally, are becoming increasingly important in organisations that want to be responsive, inclusive,



and fast-moving. We are, therefore, working to improve our collaborative skills by means of our Better Together initiative. We believe that people with different perspectives and skills – customers, suppliers, and people from different parts of Systembolaget’s operations – are better when they work together to interpret tomorrow’s requirements and develop the solutions we need. We use talks, workshops, training courses, and support, within the framework of the initiative, to focus on how we can take decisions more rapidly and how we can involve additional perspectives and skills. Another of the initiative’s goals is to investigate ways of creating active and inclusive meetings and ways in which we – whatever our organisational base and skills – can develop our operations together.

It is important, both when we are developing our operations and when we recruit new employees, that learning one’s way around Systembolaget’s organisational structure is a simple and straightforward process. To this end, we produced a short pamphlet in 2019, explaining how the operations are structured. The pamphlet, “Så funkar Systembolaget” [How Systembolaget works] can be used during introduction courses for new recruits, as a guide when employees need to do something that is new for them within the organisation, and as a starting point in change management work.

STORE SEGMENTATION

A segmentation model for our stores, that groups the stores on the basis of their individual operating conditions, allows us to target our store activities more effectively and thereby improve the smoothness of our operations. We often use the store segments when testing and developing new methodologies, and the stores within a given segment meet twice a year to develop their operations and learn from one another.

FOCUSING ON EMPLOYEE HEALTH

From 1 June 2019 to May 2020, Systembolaget is focusing on its employees’ health under the “Sustainable Working Life” heading. The programme is designed to scientifically supported advice and tips in such a way that employees are able to act on their own initiative to improve their health. We have held four seminars with invited researchers and specialists on such themes as sleep, physical activity, diet, and work without boundaries. Short film presentations by the participating experts have also been filmed for those employees unable to attend the seminars. The films have also been complemented with extra material and made available to all employees via Systembolaget’s intranet. The goal is, through knowledge and inspiration, to create the conditions for employees in which they can make behavioural changes that will, in the long term, result in improved health.

Work environment days were also held for the Head Office managers on the theme of the challenges and risks of work without boundaries. The focus of the days was on the challenges that ensue from a working life that is flexible in terms of working hours, geographical, and organisational boundaries.

THREATS, VIOLENCE AND THEFT IN STORES

Threats and violence are increasing in the grocery retail sector, and are one of the biggest work environment risks for our employees in several of our stores. Systembolaget has worked to optimise preventative security and safety measures during the year, and to minimise the risk in-store.

The problems and challenges do, however, vary from one store and one area to another, and it is, therefore, critical to know what the challenges faced by the in-

dividual stores entail. As part of this work, we have developed a platform and a structure for the different variables that affect the vulnerability of each individual store, nationwide, based on data taken from police reports, reported incidents of threats, violence, and harassment, and statistics from the Swedish National Council for Crime Prevention.

In 2019, the stores’ work environment days focused on the question of threats and violence. One of the aims was to make managers and work environment representatives feel more confident in their efforts to counter threats and violence, while another was to make it easier to assess which activities and measures should be implemented to action and counter the problems in the respective stores.

We also, on a rolling basis and as necessary, provide a course on the theme of safety in stores/threats and violence. The course is both theoretical and practical in nature and is aimed at particularly vulnerable stores – which are often high footfall stores in city locations. This course was held 18 times in 2019. We also, in certain courses, take more specific measures, such as supervisor training in threat/violence issues.

Systembolaget maintains an ongoing dialogue with security managers in other major retail chains to enable cooperation from a safety, security, and commercial perspective. We are, for example, working together to build cooperation with police districts in various parts of Sweden.

A CULTURE THAT PROMOTES INNOVATION

Systembolaget has been working to build a culture that promotes innovation for the past two years. Our aim is to create conditions under which any employee can



contribute good ideas and dare to try out new methodologies that take advantage, for example, of new technical opportunities. Our concrete innovation work is conducted within “greenhouses”, offering the opportunity for numerous employees to get involved and try out new things. The greenhouses have, amongst other things, enabled teams within Systembolaget to develop and test tools and processes based on robot technology (RPA), artificial intelligence (AI), and virtual reality (VR) – and we have also tested ideas for our stores, including fronting tools and top-up trolleys.

Work has proceeded in a number of greenhouses during the year. As part of the AI “similar product” project, for example, we have used machine learning to see if we can automatically provide recommendations for similar wines, based on a wine’s characteristics. The preliminary results are positive and may prove valuable for customers who visit us online.

Another greenhouse is addressing the concept of ideas generation, where we have developed and tested a system for gathering and evaluating good ideas from the operations. The system also includes a model for providing useful feedback for the idea generators. This is an important area, both in terms of developing Systembolaget and of increasing involvement and engagement on the part of the employees.

OTHER OPERATIONAL DEVELOPMENT

We are working continuously to develop and strengthen our operations and to adapt them in line with prevailing conditions. Supporting managers and employees in their work and decision-making is an important aspect of this work, and last year, therefore, we purchased a new system support tool – known as Skill Portal – that provides support in connection with learning,

development, recruitment, and introduction work. We implemented the Skill Portal this year and have begun transferring existing processes and templates from previous system support tools. The Skill Portal offers a range of new opportunities for developing our processes, not least for learning and development, and the work in these areas will begin when the implementation has been completed in full.

The “Sustainable Information Management” project was conducted in 2019 with the aim of creating the conditions for clearer, value-creating, and secure information processing. The project has several starting points and objectives:

- information shall be regarded as an asset – and one that shall be valued and protected;
- we shall increase understanding across the organisation of the importance of information;
- we shall introduce methodologies that result in us working in a more structured way with our information and information quality.

We will achieve this by creating two new areas of responsibility: information owners and information managers. The information owner shall identify and inventory information that must be classified, and shall identify the target level for quality and security. The information manager shall identify existing security and quality levels, assess whether they meet the target level, and implement any appropriate corrective measures.

All store employees were given access to a personal work email address at the beginning of the year as part of Systembolaget’s digitisation work. This measure will

increase IT and information security because we now know who has these identities and can easily remove and add identities when employees stop or start work at Systembolaget. In the longer term, all employees will be afforded new opportunities for learning and development and their potential for interacting with our customers online will be enhanced.

We are working to develop our digital and innovative expertise throughout Systembolaget, which will both create conditions and help develop our operations. The IT department is responsible for planning and delivering the operation, management, and digital development services with the help of our IT providers.

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 follow-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.

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. Employees on long-term sick leave, parental leave, or an extended leave of absence for studies are not included in the survey. There may also be new recruits who have not yet



had their first performance review when the survey was carried out. These caveats apply to all of the years reported in the tables below.

FOCUS reviews in 2019	Yes (number)	%	No (number)	%	Total no. responses¹
Head office personnel	467	89	59	11	526
Store personnel ²	3 196	78	917	22	4 113
Total	3 663	79	976	21	4 639

1 A total of 4,639 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 employee category.

FOCUS reviews in 2018	Yes (number)	%	No (number)	%	Total no. responses¹
Head office personnel	424	86	69	14	493
Store personnel ²	3 184	78	881	22	4 065
Total	3 608	79	950	21	4 558

1 A total of 4,558 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 employee category.

FOCUS reviews 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 employee category.

The FOCUS/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.

79 per cent of employees stated that they had completed a FOCUS review during the past year, which is on a par with levels during the immediately preceding two years. Our ambition is for all employees to have performance reviews, but due to the fact that the reviews are conducted in the spring and the measurements taken in the autumn, there is always a certain amount of loss due to staff turnover. We do, however, track the results with regard to the percentage, but place the greatest emphasis on the quality of the review.

SUSTAINABLE PERFORMANCE CULTURE

The performance culture 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	2019	2018	2017
%	81.7	81.5	81.5

The results of this year's employee survey show that the values have continued to be generally high, which means that our performance culture continues to be stable. We know that this is an important prerequisite of Systembolaget's ability to help ensure that our customers are proud of Systembolaget and of the difference we make in society. The 2019 result of 81.7 per cent corresponds to a year-on-year increase. It is interesting to note that Systembolaget has gone from a figure of 74.2 per cent in 2013 to the current level, corresponding to a change of 7.5 percentage points in 6 years. This is a superb result, given that 80 per cent is regarded as a very good result and one that has proved difficult for many to achieve.



This year’s result is stable in relation to last year’s, and shows that Systembolaget has the ability to curate and maintain the performance culture we have developed. Many groups have substantially improved their results, but we have also noted that there are a number of units where fewer than 50 per cent of the employees feel that they have a good performance environment.

The preconditions for employees to be able to perform well (want to, know how to, capable of, allowed to, should) remained at a high level and the spread within different preconditions is low at an overall level. The “allowed to” area is, once again, the area with the poorest result, and after several years of positive development in this area, we are now seeing a break in the trend at the overall organisational level. This is an area where we will need to increase our focus during the coming strategy period if we are to be perceived as the employer we want to be and if we are to act in line with “Kraften i 5000”. The basic requirements level (to contribute, to belong, to develop, to feel confirmed) continues to be high and consistent.

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 must, therefore, actively work 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.

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	2019	2018	2017
%	4.5	4.5	4.8

The decline in sick leave seen in previous years has now levelled off. Long-term sick leave rates stopped falling in the latter half of 2019, and have remained unchanged overall during this period. We are also seeing an increase in long-term sick leave in the Store Manager role, and amongst those sales personnel who also clean in the stores. Sick leave amongst fixed term employees has increased relatively sharply in 2019, and occurs primarily in the oldest age group.

Short-term sick leave increased marginally in the first half of 2019, with male sales personnel accounting primarily for the increase, and we must continue implementing measures to target short-term sick leave. Health key ratios have been tested in three more areas in 2019, together with measures designed to reduce short-term sick leave. The results of these trials will be evaluated in 2020 and will guide us in taking the next steps towards implementation.

We have identified the need, based on an increased focus on interdepartmental cooperation, to enhance our ability to identify and action cooperation difficulties at an early stage. To this end, we provided a training course for all managers at head office in the autumn of 2019 on the theme of conflict resolution. The effects of this will be evaluated in the 2019 employee survey.

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	2019	2018	2017
%	17.0	17.3	18.0

Overall staff turnover in 2019 fell slightly to 17.0 per cent. There are, however, groups with a higher rate of staff turnover, and in store sales personnel, for example, saw a staff turnover rate of 20 per cent. Staff turnover is highest amongst the youngest group of employees – those aged from 20-29 – where it reached 32 per cent.

In 2019, 423 permanent employees who gave notice have responded to our exit survey, corresponding to a response frequency of 57 per cent. The response group was representative of the entire group who gave notice during the year in terms of gender, age, and role, and the majority of those who responded to the exit survey stated that they had not given notice due to dissatisfaction. The main reason given was, instead, that they were looking for new challenges, or that they



had completed their studies and acquired a position of relevance to their field of study.

The most commonly cited reason amongst others who cited a specific reason for giving notice was dissatisfaction with their level of employment (14 per cent of respondents), followed by dissatisfaction with salary/benefits, management, and working hours (around 10 per cent of respondents for each of these reasons).

Work has continued on the Sustainable Staff Planning programme in 2019. The aim is to ensure efficient and resource-smart methodologies in relation to timetabling and staff planning, and to increase the number of full-time employees. The goal is to create a more consistent, uniform approach to staff planning, to secure consistent and good service for our customers, and to become a more attractive employer, and we are now seeing a clear trend towards an increase in the number of full-time employees. We have drawn up a staffing model and planning principles within the framework of the programme in 2019, and have initiated trials of a resource pool.

Diversity and inclusiveness

Why this is important

Sweden is a constantly changing and developing multicultural society. Systembolaget exists for everyone in Sweden and reflecting society is business critical.

It is important, not least, in enabling us to meet our customers' varying requirements and on ensuring that all of our customers feel welcome and included. Our goal is to have employees with different proficiencies, skills, experiences, and abilities. Our working climate shall be characterised by respect and understanding. It shall be a climate that welcomes and includes people with different backgrounds and experiences.

Direction and strategic initiatives

Systembolaget's overall diversity and inclusiveness plan for 2019-2020 concentrates on six focus areas. We shall:

1. secure ownership and expertise for diversity and inclusiveness issues;
2. reflect society by increasing the diversity of our personnel;
3. develop our methodology to ensure we meet statutory requirements;
4. create the conditions necessary for an inclusive methodology;
5. ensure that we welcome all customers;
6. reach more people, across society, with information on the risks associated with alcohol and why Systembolaget exists.

MEASURES FOR OUR MANAGERS

It is important to create clear ownership of issues relating to diversity and inclusiveness, and to secure exper-

tise in the area. The diversity and inclusiveness goals were discussed within the framework of our leadership programme for Area Managers and Unit Managers in 2019, and various local initiatives have swapped experiences of their work in this area. All of Systembolaget's Area Managers/Unit Managers and Group Managers also met up with the expanded company management group at the head office in April. They met there for a workshop on inclusive leadership, where attendees had the chance to take inspiration, to reflect on their own norms, and to discuss challenges and solutions with their colleagues.

Inclusiveness is vital if we are to increase diversity and to reap the benefits of all the perspectives that come with increased diversity. We are working in a number of ways to ensure that Systembolaget is an inclusive workplace. Our work in this area includes measuring the psychosocial environment as part of our employee survey, some of which addresses perceptions of sexual harassment, discrimination and bullying. We asked this question and obtained data/results at central level for the first time last year. This year, we have created a process where every manager receives the results for their group. Support materials are available for managers, if the results show that measures are required, in order to help them act and provide information in relation to our steering documents. The support material also describes what employees should do if they feel vulnerable.

We have also produced a key ratio report on the diversity and inclusiveness key ratios to provide additional support for our managers. This key ratio report makes it easier for managers to monitor developments within their own operations as the report is capable of selecting results at Group level.

**DIVERSITY IN RECRUITMENT**

Systembolaget shall reflect society, not least in the makeup of our workforce, and we will, therefore, continue our efforts to broaden the talent pool.

We conducted interviews with store employees, ahead of the summer recruitment campaign, in order to understand the challenges entailed in recruiting in a diverse way. One of the results of the interviews was that we recorded films in which our staff were allowed to express the “Go for it! Apply for a job here! We want you here!” in their own way. We also produced an internal film, in conjunction with the recruitment campaign, designed to give our managers concrete tips and advice on how they could improve the way in which they include the diversity perspective in their recruitment work. We also tested our new system support tool for recruitment on a larger scale for the first time. This new tool enables us to work with more objective selections that afford less scope for subjective assessments.

We were keen to expand our knowledge of how people who speak Arabic, Farsi, and Somali view Systembolaget, and to this end, we conducted a survey in these three languages via Facebook during 2019. The results of the survey will be used in a variety of contexts in which we communicate our employer brand, and in the ongoing development of our recruitment process, e.g. in the formulation of advertisements and of where they are seen.

DIVERSITY AND INCLUSIVENESS PARTNERSHIPS

We are also continuing to develop the partnerships we have established in the areas of diversity and inclusiveness, including within the framework of our national agreement with the Swedish Public Employment Service:

- our partnership with the Swedish Public Employment Service resulted, in 2019, in us taking on a total of 113 people in work experience places or as subsidised employees – people who, for a variety of reasons, had found it difficult to enter the labour market;
- we have also continued, within the framework of our partnership with the Swedish Public Employment Service, to work to give more people with disabilities the chance to gain a foothold in the labour market. We do this by offering work experience places and subsidised employment. In 2019, Systembolaget had an average of 94 work experience employees/employees with disabilities per month via various forms of subsidised employment;
- we have continued our partnership with the DUA (Delegation for the Employment

of Young People and Newly Arrived Migrants) on the development of labour market measures for new arrivals;

- An average of five new arrivals per month have been employed through work experience places or subsidised employment during the year.

EXTERNAL COMMUNICATION

All customers should feel welcome at Systembolaget, and we are working in a number of ways to ensure that all of our customers are proud of Systembolaget and our mandate:

- we are continuing to focus actively on and to highlight the inclusiveness perspective in our work with our customer promise and our customer interaction;
- we are working to improve the accessibility of our communication, both in-store and online. Inclusiveness is, for example, one of eight shift areas in “Framtidens Onlinebutik” [Tomorrow’s Online Store]. Framtidens Onlinebutik shall have an inclusive tonality and an inclusive graphic language, but we must also ensure through coding, for example, that the online store is adapted for use by people with a range of disabilities;
- we are continuing to develop, expand, and adapt our range in line with our customers’ varying requirements and preferences.

We are also keen to reach everyone, throughout society, with information about why we exist and about the risks associated with alcohol. To this end, we launched course material on Systembolaget for the SFI (Swedish For Immigrants) courses in 2017. Our aim, through the material, was to improve Swedish language skills, to increase integration, and to help more people across Sweden feel welcome at Systembolaget. We have carried out an analysis of our communication during the year to see how we can improve the way we reach out to more SFI courses.

Key ratios, results and activities

DIVERSITY STATISTICS

We monitor the number of employees with a foreign background in order to determine what progress we have made in our efforts to reflect society’s diversity. In 2019, just under 13 per cent of our employees had a foreign background – in comparison with the population of Sweden as a whole, where the corresponding figure is 27 per



cent. One of Systembolaget’s goals is to increase the number of employees with foreign backgrounds so that they approach the same percentage as workforce as they do the population makeup of Sweden. In 2019, we approved a goal ladder for a successive increase up to 2023. The goal for 2019 was 13.0 per cent, but with an actual result of 12.7 per cent, we did not quite reach our goal. An increase of 0.9 percentage points during the year shows, however, that we are on the right track.

Percentage with a foreign background ¹ (%)	2019		2018	
	Swedish	Foreign	Swedish	Foreign
Managers	91.7	8.3	91.8	8.2
Employees	87.0	13.0	87.4	12.6
Total	87.3	12.7	87.8	12.2

1. A Swedish background is defined as a person born in Sweden or with one parent born in another country. A foreign background is defined as a person born in another country or with both parents born abroad.

PERCENTAGE OF EMPLOYEES (GENDER AND AGE GROUP)

Systembolaget endeavours to ensure an even gender distribution and to have employees of all ages (the minimum age for employment at Systembolaget is 20). We have seen a continued increase in the number of men in 2019, and the gender breakdown consequently continued its progression towards a more equal (60/40). More in-depth analyses show that the percentage of female and older employees is higher in smaller stores in smaller communities. Systembolaget has an even gender breakdown at managerial level, but we have still not quite achieved a reflection of society’s gender breakdown amongst our store personnel. Men are slightly over-represented at managerial level and the increase in the percentage of men amongst our store personnel means that, the group is, however, approaching the same breakdown as amongst the company’s managers.



2019	Number of employees	Women %	Men %	Aged <30 %	Aged 30-50 %	Aged >50 %
Sales personnel	4 732	63	37	36	45	18
Store Managers	468	57	43	4	72	24
Janitors	9	78	22	0	11	89
Store personnel, total	5 209	63	37	33	48	19
HQ employees	523	56	44	7	68	25
HQ Managers	83	58	42	1	59	40
Area Managers	30	47	53	0	50	50
HQ personnel, total	636	56	44	6	66	28
Systembolaget, total	5 845	62	38	30	50	20

2018	Number of employees	Women %	Men %	Aged <30 %	Aged 30-50 %	Aged >50 %
Sales personnel	4 776	64	36	38	44	18
Store Managers	461	58	42	6	70	25
Janitors	12	83	17	8	8	83
Store personnel, total	5 249	64	36	35	46	19
HQ employees	458	56	44	7	70	23
HQ Managers	74	61	39	3	55	42
Area Managers	29	48	52	0	52	48
HQ personnel, total	561	56	44	6	67	27
Systembolaget, total	5 810	63	37	33	48	19

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
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

The Board of Directors, including the four employee representatives, and the company management (included in the HQ employees category) comprised 14 women and 9 men in 2019. None of the Members of the Board or of the company management are in the aged <30 age group, while 8 people are aged between 30 and 50, and 15 are in the aged >50 group.



Finance

Why this is important

Systembolaget is not driven by selling targets or profit maximisation. The most important financial value generated by Systembolaget is, rather, in the form of reduced social costs achieved by limiting the harmful effects of alcohol. Our information mandate is, in this context, an important part of painting a realistic picture for people of the risks that may be entailed by alcohol consumption. Our primary goal, as mandated by our owner – the State – is, instead, to be of benefit to society. Systembolaget shall, at the same time, operate in a cost-effective and business-like way, and our secondary goal is, therefore, to deliver a yield requirement over time that is predetermined by our owner. The revenues generated by the operations shall, therefore, both cover costs and generate a return for the State. Achieving this means it is important 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. We are engaged in ongoing development work aimed at enhancing operational efficiency, and our efforts to increase the efficiency of in-store staffing should be seen as part of this work.

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 surcharge comprises a general surcharge of 17.5 per cent, based on the procurement price, and a variable surcharge per packaging. The revenues generated by Systembolaget's retail sales include alcohol tax, which is a State-imposed excise duty. Alcohol tax is calculated in a variety of ways and at different tax rates, depending on the type of alcohol product involved. 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. Approximately 40 per cent of Systembolaget's revenues, and cost of goods sold, comprises alcohol tax. The alcohol tax accrues to the State.

Systembolaget has three financial key ratios: equity/assets ratio, 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 financial 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 in order to achieve the operating goals, while simultaneously achieving the yield requirement over time.

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 112 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 2019, the equity/assets ratio was 25.9 per cent (25.7). The Owner’s Instructions state that the equity/assets ratio shall be 20-30 per cent for the full 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 2019, corresponded to 7.0 per cent (rolling, 12 months). Systembolaget’s return on equity on 31 December 2019 was 15.5 per cent (11.4). The gross profit increased during the year, due to an increase in sales volumes and to changes in different types of drinks’ share of sales. The increase in sales notwithstanding, the operating profit was on a par with last year’s due to investments in digital customer interaction development projects. Personnel costs also increased during the year due to the increase in the volume of sales, the annual pay review, the increase in the number of customer orders, new depots, and an increase in the number of stores. The increase in the return on equity is due to the positive effect on the profit of net financial items attributable to the market valuation of financial investments.

COST EFFECTIVENESS

This key ratio is an Owner’s goal that 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. A benchmarking exercise was carried out during the year in order to evaluate store operations, and this demonstrated that our store operations are effective. The cost effectiveness on 31 December 2019 was 2.4 (2.3), which is higher than the agreed target figure. The increase was affected by a change in the product mix and by a year-on-year increase in costs attributable to planned investments, primarily in connection with e-commerce.

	2019	2018	2017
Equity/assets ratio, %	25.9	25.7	27.8
Return on equity, %	15.5	11.4	17.2
Cost-effectiveness (factor)	2.4	2.3	2.2

Financial reporting

Economic performance

Systembolaget shall be run in a commercial manner without attempting to maximise profits. In practical terms, this means that, unlike other companies, we do not advertise in an attempt to boost sales and we do not attempt to persuade people to buy more products or to buy products other than those they had intended to buy.

Systembolaget has a monopoly on the retail sales of strong beer, wine, spiritous drinks, and other fermented alcoholic beverages and alcohol-like preparations in Sweden. These exclusive rights have a socio-political purpose and limit the harmful effects of alcohol, partly by eliminating private profit motives in conjunction with retail sales, and partly by limiting availability. Our owner, the State, has set a number of goals that are based on this purpose and which make it clear that the mandate goals are the primary goals. The primary goal is, therefore, according to our owner, the good of society. The secondary goal is to deliver a return over time that is predetermined by the owner and which is monitored through a number of economic goals.

SALES

Systembolaget's revenues increased by 4.2 per cent, year-on-year, to SEK 32,211 m. Sales of wine totalled SEK 16,771 m (16,150), corresponding to an increase of 3.8 per cent, while sales of strong beer increased by 2.9 per cent to SEK 7,726 m (7,511). Sales of spiritous drinks

increased by 6.0 per cent to SEK 6,363 m (6,005), while sales of cider and mixed drinks increased by 6.5 per cent to SEK 923 m (867). The increase in total revenues exceeded that in sales volumes during the period, primarily due to changes in sales percentages between different types of drink.

In September 2018 and September 2019, the price of carrier bags was increased by SEK 0.50 and SEK 1, respectively, as part of our efforts to reduce their use and hence, their environmental impact. The number of carrier bags bought has decreased, year-on-year, by 7 per cent.

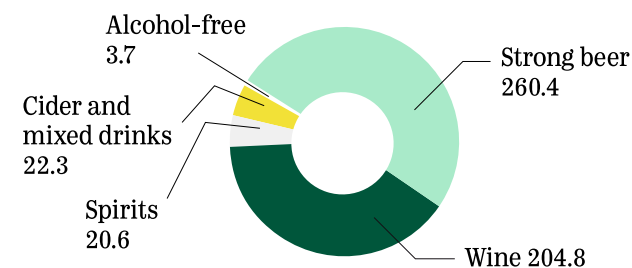
Systembolaget's sales volume increased by 1.4 per cent, year-on-year, and totalled SEK 511.9 m (504.9) litres. Recalculated as litres of pure alcohol per capita, the sales volume is on a par with that in the previous year. According to the most recently published Monitor survey for 2018, total alcohol consumption has fallen, year-on-year, to 8.8 (9.0) litres of pure alcohol per head of population aged 15 or above, corresponding to a reduction over the past ten years of approximately 7 per cent. Systembolaget's share of total alcohol consumption increased to 65.6 per cent (63.1) in 2018.

Interest in the alcohol-free range continues to increase, with sales of alcohol-free products increasing by 7.5

per cent. This is also the product group that has shown the biggest percentage increase, and revenues from alcohol-free products totalled SEK 214 m (199). This is a trend that Systembolaget is keen to promote, and we are now able to offer a total of 73 (71) alcohol-free items in our fixed range.

Sales of organic products increased by 6.6 per cent to SEK 4,818 m (4,520) and accounted for 15.1 per cent of total sales in SEK million. There were a total of 466 (448) organic items in the fixed range at the end of the year.

The number of ethically labelled products in Systembolaget's fixed range fell slightly to 42 (45). Sales totalled SEK 773 m (703), corresponding to an increase of 10.1 per cent.



Drinks sales in 2019, million litres.

FUTURE SALES DEVELOPMENT

While total alcohol consumption has declined by 7 per cent between 2009 and 2018, Systembolaget's sales development in recent years has been relatively stable, with an annual increase in revenues of between 2 and 5 per cent. Alcohol tax increases in 2015 and 2017 account for approximately 1-2 per cent of this increase. Systembolaget has also increased its share of sales in recent years due, in part, to a marked reduction in imports by travellers. The weakness of the Swedish krona in recent years has, in all probability, been a contributory factor here whilst actually benefitting that part of our sales attributable to cross-border trade. The underlying sales development is expected to continue over the next few years due, in part, to Sweden's population growth. This will result in a continued increase in sales volumes in all product groups. The volume development for Systembolaget in 2019 was higher than expected and exceeded that in the record year of 2018. The development is expected to continue rising in 2020, albeit at a slightly slower rate of increase than in 2019. We are seeing some differences when it comes to the distribution between our product groups, primarily as a result of prices and trends:

- The cider and mixed drinks product group has reported the strongest growth in recent years, but in 2019, the fastest growing product groups were mixed drinks, spirits, and alcohol-free.
- The trend in sales of spiritous drinks was declining until 2014, since when a moderate increase in volumes has occurred, and a further increase was noted in 2019. A reduction in imports by travellers due to a weaker krona exchange rate is thought to be one important reason for this trend, and volumes are, in future, expected to continue increasing at the same

rate as in recent years.

- 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.
- Sales of beer and wine are expected to increase in tandem with population growth and on a par with the increases seen in recent years.
- 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 experienced strong growth in recent years and this growth is expected to continue in the years ahead.

OPERATING PROFIT

Systembolaget shall operate under business-like principles, without promoting sales, and shall focus on cost-effectiveness. Systembolaget posted an operating profit of SEK 229 m (227). The increase in the operating profit was due to an increase in the gross profit that resulted from an increase in sales volumes and changes in the percentage of sales breakdown between different types of drinks. The higher turnover notwithstanding, the operating profit was negatively affected by higher selling and administration expenses.

Selling expenses totalled SEK 3,121 m (2,942). Investments in development projects in connection with the digital customer interaction and long-term efficiency-enhancing measures are continuing, and are

impacting selling expenses. These investments will continue over the next few years. Examples include the opening of a new Systembolaget goods depot outside Stockholm to enable an increase in online sales. Systembolaget has also released a beta version of the new online store. The investments also entailed an increase in personnel costs – which also increased as a result of an increase in the number of stores, an increase in the number of customer orders, and the annual pay review. Selling expenses were also affected by increases in premises rental costs attributable both to the increase in the number and size of Systembolaget's stores, and to annual indexing.

Administration expenses increased year-on-year to SEK 779 m (738). Personnel costs have increased as a result of, amongst other things, new recruitments in the IT and e-commerce departments in connection with Systembolaget's development activities, and to the annual pay review. Development activities are also leading to increased IT management costs. The operating margin was 0.7 per cent (0.7).

NET FINANCIAL ITEMS AND PRE-TAX PROFIT

The pre-tax profit was SEK 304 m (232). Net financial items totalled SEK 75 m (-2), SEK 26 m (24) of which comprised interest income from financial investments, SEK 33 m (-43) of which comprised changes in the value of financial investments, and SEK 16 m (17) of which comprised a dividend from Systembolaget's subsidiary company, AB K14 Näckströmsgatan. The market value of Systembolaget's investments has performed positively in 2019 due to increased market demand that resulted in rising prices. 32 per cent (7) of Systembolaget's financial investments on December 31, 2019 comprised green bonds, i.e. bonds that are earmarked for specific environmental projects.

CASH FLOW

The cash flow from operating activities totalled SEK 480 m (624), with the year-on-year primarily attributable to a changing in the timing of a payment date. The cash flow from investment activities totalled SEK 112 m (-57), SEK -134 m (-131) of which primarily relates to the new construction and renovation of stores, and SEK 246 m (74) of which relates to net changes in financial investments. The cash flow from financial activities totalled SEK -164 m (-265), SEK -180 m (-282) of which comprised a dividend payable to the owner and SEK 16 m (17) of which comprised a dividend received from Systembolaget's subsidiary company, AB K14 Näckströmsgatan.

FINANCIAL POSITION

Shareholders' equity on 31 December 2019 totalled SEK 1,563 m (1,503), corresponding to a year-on-year increase of SEK 60 m. The change comprised the net profit for the year less the dividend paid to the owner, which totalled SEK 180 m (282).

SUMMARY OF THE SUBSIDIARY COMPANIES

IQ-initiativet AB (IQ) works to help promote a smarter approach to alcohol by using know-how and communication to create awareness, mindfulness, and engagement in people's own drinking and that of others, and thereby help reduce the harmful effects of alcohol in society. IQ is financed by Systembolaget with an annual budget of SEK 35 m (35). The pre-tax profit for the period was SEK -1.4 M (1.7).

AB K14 Näckströmsgatan manages Systembolaget's operating properties. The pre-tax profit was SEK 20.7 M (21.8). The net profit is attributable to intra-Group rental revenue and the decrease was primarily due to

increased costs in connection with rebuilds and renovation.

For information on Systembolaget's legal position, see page 16.

EVENTS AFTER THE CLOSING DAY

In February 2020, Systembolaget brought suit against Vivino ApS at the Patent and Market Court in response to Vivino's statement that they do not intend to stop engaging in retail sales of alcoholic drinks to Swedish consumers – which is illegal and infringes upon Systembolaget's monopoly.

Risk and sensitivity analysis

Systembolaget's objective for its risk management is an operation in which the risks to which the company is exposed 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 Man-

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

Systembolaget's risk management work comprises both strategic and operational risks. The management of the strategic risks is planned in conjunction with updates to the strategic plan. Operational risks are managed in conjunction with operational planning and associated activities.

Systembolaget's risks are reported and monitored 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.

FINANCIAL RISK MANAGEMENT

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. All 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.

SYSTEMBOLAGET'S RISKS

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

RISK AREA	DESCRIPTION	COMMENTS
Reputation	The existing marketing risks posing a challenge to Systembolaget's reputation, e.g. by opening the door to uncertainty about the identity of the advertiser. The brand is, thereby, challenged, 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 clarify the way in which its brand is used.
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.

RISK AREA	DESCRIPTION	COMMENTS
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 addresses the risk scenario continuously through its security unit, and reviews its personnel's levels of awareness of and exposure to threats and violence.
Independence	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 ensure clarity in relation to our purchasing routines and terms and conditions for our stakeholders, which is an important part of our anti-corruption work. Systembolaget also continuously reviews the fitness for purpose of its purchasing process.

RISK AREA	DESCRIPTION	COMMENTS
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 implements system support in order to ensure more effective follow-up work.
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 conducts annual supplier and producer audits in order to gain increased control over the products sold. Systembolaget also complements its audits with training activities at the producer stage of the chain. Systembolaget implements system support in order to ensure more effective follow-up work.

RISK AREA	DESCRIPTION	COMMENTS
Compliance with the Code of Conduct	The large number of suppliers and subcontractors 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 with our external Code of Conduct.	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 and reduce the risk of corruption.
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 increased societal costs for policing and medical care due to increases in violence, the number of traffic accidents, and sick leave.	Systembolaget's exclusive right to retail sales 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 mandate selling responsibly at all times.
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. 320,000 children in Sweden have suffered harm as a result of a parent's or care provider's alcohol problems during childhood ² . 14 per cent of ninth graders state that their parents' alcohol consumption has resulted in them having several negative experiences during childhood ⁸ .	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 research conferences.

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, including the provision that Systembolaget is not driven by sales goals or profit maximisation. 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, with the financial goals defined as secondary to the mandate ones. Fulfilment of the mandate goals is measured using the Customer Satisfaction Index, the Alcohol Index, and Alcohol Consumption in Sweden, and Systembolaget's share of consumption. The financial goals comprise the equity/assets ratio, the return requirement, the dividend requirement, and a cost-effectiveness metric.

In May 2019, the Swedish Parliament decided that Systembolaget's home deliveries trial should be introduced as a permanent service and comprise part of Systembolaget's regular operations. Parliament simultaneously approved an amendment to the Swedish Alcohol Act whereby the retail sale of alcohol-like preparations shall be subject to Systembolaget's retail monopoly. The sale to consumers of this type of alcohol product, which can be used for the purposes of intoxication, has previously been possible without proof of age checks, checks on intoxication, and the risk of illegal sale or provision, but are, as a result of the amendment, covered by Systembolaget's retail monopoly. The agreement between Systembolaget and the State was consequently updated in 2019 in response to these decisions by Parliament, and the amended agreement came into force on 1 July 2019.

The Articles of Association and Owner's Directive were also updated by means of a resolution by an Extraordinary General Meeting held during the year to take into account that Systembolaget's mandate now also includes engaging in retail sales of non-beverage alcoholic preparations.

Systembolaget's mandate is to engage responsibly and with a high standard of service, in the retail sales of alcoholic beverages, and to inform people about the harmful effects of alcohol. Systembolaget is there for everyone in Sweden with the aim of helping to improve public health by limiting the harmful effects of alcohol in society. The monopoly means that Systembolaget is the only company permitted to engage in retail sales of strong beer, wines, spiritous drinks, other fermented alcoholic beverages and non-beverage alcoholic preparations 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. Representatives of Systembolaget's company management, over and above the President, attend these meetings as required. Areas discussed at these meetings during the year include operational monitoring, including follow ups of the mandate goals, the financial goals, and the sustainability goals. Issues

relating to Systembolaget's home delivery service, cross-border distance selling, non-beverage alcoholic preparations, partnerships, legal issues, and other issues of relevance for the company have also been discussed. The owner exercises its rights as a shareholder at the Annual General Meeting.

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 2019 Annual General Meeting

Systembolaget's 2019 Annual General Meeting was held on 11 April in Stockholm and was open to the public. The owner was represented by Secretary of State, Maja Fjaestad, 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 Chairman of the Board.
- Re-election of the following Members of the Board: Viveca Bergstedt Sten, Robert Damberg, Cecilia Halle, Barbro Holmberg, Frida Johansson Metso, and Håkan Leifman, and the new election as Members of the Board of Anders Ehrling and Ulrika Eriksson.
- Directors' fees payable to Members of the Board elected by the Annual General Meeting, members of the company's Board-appointed committees, and Auditors.
- 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 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 2019 Extraordinary General Meeting

An Extraordinary General Meeting of Systembolaget AB was held on 11 December 2019, at which the shareholder resolved to update the Articles of Association and Owner's Directive (see also above under the heading, "The owner"). The Minutes of the Extraordinary General Meeting are available on the omsystembolaget.se website.

2020 Annual General Meeting

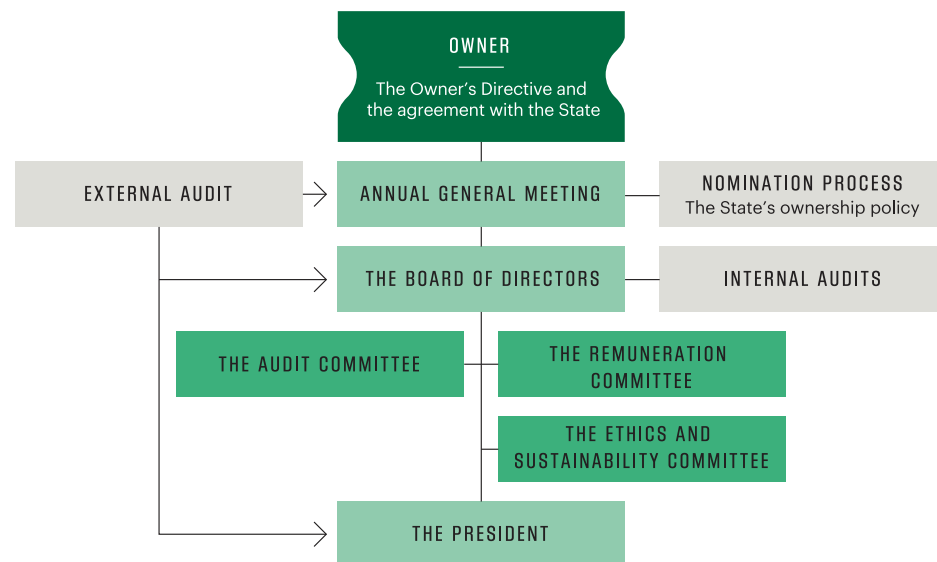
The 2020 Annual General Meeting will be held on 23 April in Stockholm. Notices convening the Annual General Meeting will be sent out in March 2020.

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 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. Five of these Members are women and four, men. The Board also includes two employee representatives and two Deputy Members appointed by the employees’ organisations. Two of the employee representatives are women and two, men. 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.

The owner’s representative submitted a rationale for the composition of the Board and the proposed change at the 2019 Annual General Meeting. The proposed Members of the Board were deemed to possess the competence, experience and background required for the operation of the company. 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.

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, 2019

Name	Function	Presence	Note
Kenneth Bengtsson	Chairman	8/8	
Viveca Bergstedt Sten	Member	7/8	
Robert Damberg	Member	7/8	
Anders Ehrling	Member	5/6	Appointed at the Annual General Meeting on 11 April 2019
Ulrika Eriksson	Member	6/6	Appointed at the Annual General Meeting on 11 April 2019
Cecilia Halle	Member	7/8	
Barbro Holmberg	Member	8/8	
Frida Johansson Metso	Member	7/8	
Håkan Leifman	Member	7/8	
Kerstin Wigzell	Member	2/2	Resigned seat at Annual General Meeting on 11 April 2019
Crister Fritzon	Member	1/2	Resigned seat at Annual General Meeting on 11 April 2019
Maria Nilsson	Employee representative (Member)	8/8	
Robert Adrell	Employee representative (Member)	8/8	
Karin Larsson	Employee representative (Deputy Member)	8/8	
Nils Undall-Behrend	Employee representative (Deputy Member)	8/8	

PRESENCE AT AUDIT COMMITTEE MEETINGS, 2019

Name	Function	Presence	Note
Viveca Bergstedt Sten	Chairman	5/6	
Anders Ehrling	Member	3/3	Appointed at Board Meeting following election on 11 April 2019
Cecilia Halle	Member	6/6	
Barbro Holmberg	Member	1/3	Appointed at Board Meeting following election on 11 April 2019
Crister Fritzon	Member	3/3	Resigned seat at Annual General Meeting on 11 April 2019

PRESENCE AT REMUNERATION COMMITTEE MEETINGS, 2019

Name	Function	Presence	Note
Kenneth Bengtsson	Chairman	6/6	
Frida Johansson Metso	Member	4/4	Appointed at Board Meeting following election on 11 April 2019
Robert Damberg	Member	2/2	Resigned seat at Annual General Meeting on 11 April 2019

PRESENCE AT ETHICS AND SUSTAINABILITY COMMITTEE MEETINGS, 2019

Name	Function	Presence	Note
Ulrika Eriksson	Chairman	1/1	Appointed at Board Meeting following election on 11 April 2019
Robert Damberg	Member	1/1	Appointed at Board Meeting following election on 11 April 2019
Håkan Leifman	Member	2/2	
Kerstin Wigzell	Chairman	1/1	Resigned seat at Annual General Meeting on 11 April 2019
Frida Johansson Metso	Ledamot	0/1	Resigned seat at Annual General Meeting on 11 April 2019

Systembolaget's President and Chief Financial Officer attend the Board Meetings. Systembolaget's Director Corporate, Public and Legal Affairs 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,
- setting the agenda for Board Meetings, working in consultation with the President,
- 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 System-

bolaget's Board, the owner, the committees and the President. The work plan is reviewed annually, and a new version was adopted at the Board Meeting following election in April 2019. An additional new version of the formal work plan was adopted in May 2019, when only minor updates were made due to the Vice President having resigned her position with the company. 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. See page 24 for further information on Systembolaget's strategic plan.

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 etcetera 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.

The avoidance of conflicts of interest within the Board is regulated by the Board's formal work plan and in accordance with the provisions of 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 2019 was adopted at the Board Meeting in June 2016 and refers to the years from 2017 to 2020. See page 24 for additional information on the strategic plan.

THE WORK OF THE BOARD IN 2019

The Board held a total of eight Board Meetings in 2019. 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;
- the Alcohol Research Council;
- the strategic plan 2023;
- the pricing model;
- home deliveries and e-commerce;

- studies of the social costs of alcohol;
- the business plan and budget for 2020;
- the management talent pool and succession planning.

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 of the work of the Board was carried out with the support of an external consultancy form. In summary, the evaluation showed that the work of the Board of Directors, the Chairman of the

Board, and the President is all of a high standard and certain development areas where further work will be conducted were identified. The results of the evaluation of the work of the Board have been presented to the Board and were discussed at a Board Meeting in November 2019.

In November 2019, 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 has, since the Board Meeting following election in April 2019, comprised the following four Members of the Board: Viveca Bergstedt Sten (Chairman of the Committee), Anders Ehrling, Cecilia Halle, and Barbro Holmberg. None of the members of the Audit Committee are part of the company's management. Systembolaget's CFO and its Director Corporate, Public and Legal Affairs, who is also the Secretary to the Committee, and the auditors participate in the Audit Committee meetings, as do the three lay auditors. Systembolaget's President and other members of the company management also participate as necessary.

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 and monitoring issues

relating to Systembolaget's financial reporting and the efficiency of the company's internal controls, internal and external audits, and risk management. The issues delegated by the Board to the Audit Committee, and on which it has authorised the Committee to make decisions, are: the annual determination of the orientation of internal audit work, the taking of decisions on material sustainability areas to be addressed in the Responsibility Report, together with the associated GRI indicators and key performance indicators, the determination of transparency reporting, and the evaluation and adoption of Systembolaget's investment regulations.

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 2019

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, in addition, presented significant accounting and audit issues, as well as internal control and process issues. The Committee also addressed such issues as internal and external audits, the Responsibility Report, risk analysis, investment regulations, the procurement process, non-audit engagements performed by the Auditor, the pension fund, and the annual evaluation of certain policies. 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 two members in 2019. The members of the Committee have, since the Board Meeting following election in April 2019, comprised the Chairman of the Board, Kenneth Bengtsson, who is also the Chairman of the Remuneration Committee, and Committee member, Frida Johansson Metso. 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 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. Decisions on contracts of employment for senior executives (with the exception of the President, for whom the decision-making responsibility lies with the Board) shall ultimately be taken by the Remuneration Committee.

THE WORK OF THE COMMITTEE IN 2019

The Remuneration Committee has held six meetings during the year. The Committee has, in its customary fashion, drawn up proposed guidelines for remuneration and other terms of employment for senior executives of Systembolaget. The Committee has, furthermore, addressed issues relating to pay reviews, organisational changes, recruitment and appointment of managers within the new company management organisation and salary-related terms and conditions for these managers, evaluation of the work of the company management, evaluation of the work of the President of the company, and the annual evaluation of certain policies. The Chairman of the Committee provided the Board of Directors with regular information on the Committee's work.

The Ethics and Sustainability Committee

COMPOSITION

The Ethics and Sustainability Committee comprised three members in 2019. The Committee members since the Board Meeting following election in April 2019 have been: Ulrika Eriksson (Chairman), Håkan Leifman and Robert Damberg. None of the members of the Ethics and Sustainability Committee are part of the company's management. Systembolaget's Director Corporate, Public and Legal Affairs, who is also the Secretary to the Committee, attends the Committee's meetings. Other members of the company management attend, as necessary.

RESPONSIBILITIES

The Ethics and Sustainability Committee is tasked

with preparing and monitoring issues in relation to Systembolaget's sustainability work and work with compliance and ethics. 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 2019

The Ethics and Sustainability Committee held two meetings during the year. The Committee has, amongst other things, addressed issues relating to the company's strategic sustainability goals, the annual report from IQ, the report by the Alcohol Research Council, stakeholder dialogues in the field of sustainable enterprise, including information about the Sustainability Platform, the 2023 Sustainability Agenda, and the annual evaluation 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, etcetera. 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 the President and a further nine persons. Seven of the ten members of the company management are women and three, men. 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 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

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, Humana AB and the Swedish Trade Federation.

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.

deciding on the remuneration payable to senior executives. See Note 6 of the financial reports for comprehensive information on 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 that took place in November 2019 in the form of a discussion by the Board, led by the Chairman of the Board, of the President's performance and developmental potential. To summarise, the results of the assessment of the President's work were very good across the board and revealed that the President is strongly supported by both the Board and the company management.

External audit

An external 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 2020 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 14 February 2019, appointed three Lay Auditors and three Deputies for the period up to and including the 2020 Annual General Meeting. The Lay Auditors appointed are Jörgen Hellman, Johan Forsell, and Alexandra Völker, and the Deputies appointed are Karin Rågsjö, Mats Berglund, and Ulrika Heindorff.

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 ensuring 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.

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, is one example of an important factor in the control environment.

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 risks. The risks are identified and evaluated 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. The Board adopts follow-up proposals and management of the highest priority risks is then assigned to operations managers. Progress is

monitored by the company's management and the Audit Committee.

A financial risk analysis is carried out every other year and 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. See page 80 for further information on Systembolaget's risk management.

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 relation 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 five 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 Chairman of the Audit Committee reports back to the Board on material issues.

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 Clas Ohlson, the Ersta Diakoni charitable organisation, Diaverum, Mio AB, Envirotainer and Lyko. Member of the Boards of Herenco and Sysam.

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.



Viveca Bergstedt Sten

Born: 1959

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

Other positions held: Author and lecturer. Member of the Boards of Stiftelsen Stora Sköndal and Eknö Hemman.

Elected: 2014

Positions previously held: Senior Legal Counsel & Corporate Secretary of PostNord AB PostNord AB, Posten 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.



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.



Anders Ehrling

Born: 1959

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

Other positions held: Chairman of the Boards of Keolis Sverige AB and Helsa Vårdutveckling AB. Member of the Boards of Coor Service Management Holding AB, Parks & Resorts Scandinavia AB and Dreamtroopers AB.

Elected: 2019

Positions previously held: 23 years with SAS, the last 5 of which were as CEO of SAS Sweden. CEO of Scandic Hotels AB and BRA Sverige AB. Member of the Boards of the Confederation of Swedish Enterprise, Trygg Hansa, Swedavia, Åre Destination, Nordic Cinema Group, A-Katsastus OY, Unlimited Travel Group, and West Atlantic Airways.

The Board of Directors



Ulrika Eriksson

Born: 1969

Principal education: B.Sc. (Economics and Business Administration), Stockholm School of Economics, IFL Executive Management Programme, Stockholm School of Economics.

Other positions held:

Elected: 2019

Positions previously held: CEO of KungSängen Group AB, Deputy CEO/Sales Director of Apoteket AB, Deputy CEO of AB Svenska Pressbyrå, Member of the Boards of Bong AB and Pro Pac International AB/ Bong Packaging Solutions.



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.



Barbro Holmberg

Born: 1952

Principal education: B.Sc. in Social Work, specialising in local government administration.

Other positions held: Chairman of the National Government Service Centre. Chairman of the Government's Civil Defence Committee. Member of the Boards of the University of Gävle, the Riksdag Remuneration Board, the Swedish Bar Association's Disciplinary Committee, Orbaden Spa & Resort, and Orsjö AB.

Elected: 2018

Positions previously held: Chairman of the Municipal and County Boundaries Committee, Gävleborg County Governor, private consultancy company focusing on alcohol and narcotics issues.



Frida Johansson Metso

Born: 1984

Principal education: Registered Psychologist, Uppsala University.

Other positions held: Psychologist at the Transcultural Centre, Stockholm County Council.

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.

The Board of Directors



Håkan Leifman

Born: 1963

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

Other positions held: Regional Director for Planet Youth (Nordic countries), private business specialising and researching alcohol, tobacco, and narcotics issues, doctor and researcher at the Karolinska Institute and member of the Swedish Standards Institute's supervisory council.

Elected: 2014

Positions previously 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), and Member of Svenska Spel's Science Council.

The Board of Directors – employee representatives



Robert Adrell, Member

Born: 1964

Principal education: Studied chemistry, political science, history, and economic history at the University of Gothenburg.

Other positions held: Employed as a salesperson and drinks tasting supervisor since 1987, member of the Board of Systembolaget's Personnel Association (SPF)/ Unionen, Section Chairman of western branch of SPF/Unionen, Sales Personnel.

Appointed: 2018



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 Personnel Association, SPF Unionen, Chairman of the Stockholm branch of the Unionen trade union.

Appointed: 2015



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, Member of the Board of the Pension Foundation, Coordinating Work Environment Representative (SAMO) for Systembolaget. Association Auditor, Unionen.

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. Member of Systembolaget's Staff Association. Chairman of the Managers' Club, Malmö.

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 83 of the Corporate Governance Report for further information about the President.



Chatarina Eriksson,
Director, Human Resources

Born: 1970

Employed: 2009

Education and previous positions:
B.Sc. (Economics), management training at executive level.

Chatarina's most recent position was as a Departmental Manager for Store Development at Systembolaget, prior to which she worked as a Hotel Manager at a number of hotels and as a Business Development Officer at the Invest in Dalarna Agency.



Tobias Frohm,
Director, E-commerce

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. His most recent role was as Human Resources Director at Systembolaget.



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,
Director, Sales

Born: 1965

Employed: 2003

Education and previous positions:
Internal training at executive level.

Mr Jungland has previously worked as a Departmental Manager/Category Manager at Coop, and as a Sales Director at Stor & Liten. His most recent role was as a Departmental Manager for Store Development at Systembolaget.



Eva Listi,
Director, IT

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 has previously worked as Deputy CIO at PostNord AB, and as CIP at Ericsson and in a variety of senior IT positions at AstraZeneca, Pfizer and Pharmacia.



Gustav Lovén,
Director, Strategy & Offering

Born: 1981

Employed: 2017

Education and previous positions:
B.Sc. (Economics and Business Administration), Stockholm School of Economics and studies at Cornell University.

Mr Lovén's most role was as Strategy Director at Systembolaget, prior to which he has held a number of managerial positions at H&M, globally and in Asia, and worked as a strategy consultant at Ericsson and Bain & Company.



Sara Norell Murberger, Director, Product Range, Procurement, and Supply Chain

Born: 1964

Employed: 2007

Education and previous positions:
Certified sommelier and management training at executive level.

Ms. Murberger's most recent role was as a Departmental Manager for Product Range and Procurement at Systembolaget. She has previously worked as a Business Area Manager at Arvid Nordquist HAB, prior to which she was employed as a Food & Beverage Manager at the SAS Radisson hotel chain.

Company management



Malin Sandquist, Director Corporate,
Public and Legal Affairs

Born: 1972

Employed: 2012

Education and previous positions:

LL.B. at Uppsala University and internal and external training at executive level.

Ms Sandquist was formerly the Senior Legal Counsel at Systembolaget and has previously worked as a lawyer, most recently as a joint owner of Advokatfirman Hammarskiöld & Co.



Kristina Stutterheim,
Director, Communication

Born: 1966

Employed: 2018

Education and previous positions:

B.Sc. in Hospitality and Hotel Administration from IHM, and coaching training.

Ms. Stutterheim's most recent position was with Riksteatern (Sweden's National Touring Theatre), where she was the Communications Director. She has previously worked at the Swedish Teachers' Union and Energy Forum.

Ten-year overview

	2019	2018	2017 ¹	2016	2015	2014	2013	2012	2011	2010
Profit/loss (SEK m)										
Net sales (including alcohol tax)	32,211	30,907	29,355	28,469	27,645	26,431	25,709	25,099	24,416	24,111
Net sales (excluding alcohol tax)	19,740	18,692	17,511	17,034	16,379	15,901	15,589	15,003	14,368	14,004
Gross profit/loss	4,119	3,903	3,700	3,591	3,488	3,382	3,303	3,201	3,115	3,051
Operating profit/loss	229	227	270	217	179	370	168	270	159	339
Net financial items	75	-2	58	47	-3	56	208	58	119	-24
Profit before tax	304	232	353	368	256	324	317	248	278	315
Net profit/loss for the year	240	180	282	289	198	251	287	180	223	223
Financial position (SEK m)										
Fixed assets	3,306	3,665	3,439	2,797	2,300	2,520	2,258	1,921	1,697	1,916
Current assets	2,801	2,266	2,424	3,075	3,517	3,236	3,205	3,222	3,339	3,257
Shareholders' equity	1,563	1,503	1,605	1,612	1,521	1,574	1,610	1,411	1,390	1,469
Liabilities	4,428	4,319	4,258	4,260	4,297	4,182	3,853	3,732	3,646	3,704
Balance Sheet total	6,107	5,931	5,863	5,872	5,817	5,756	5,463	5,143	5,036	5,173
Cash flow (SEK m)										
Cash flow from operating activities	480	624	529	306	480	632	456	574	343	537
Cash flow from investment activities	112	-57	-918	-638	-117	-416	-530	-318	138	-204
Cash flow from financing activities	-164	-265	-246	-182	-251	-287	-90	-159	-332	-345
Cash flow for the year	428	302	-635	-514	112	-71	-164	97	149	-12
Strategic key performance Indicators										
Customer Satisfaction Index (CSI)	85.1	84.6	84.3	84	84	83	82	81	79	78
Proof of age checks, %	95.2	95.6	95.6	96	96	97	96	95	94	94
Opinion Index (OPI), %	73.9	76.5	76.9	76	77	74	72	71	68	66
Total sick leave, %	4.5	4.5	4.8	5.2	5.3	4.9	-	-	-	-
Climate Impact of own operations, CO ² e	1,847	2,591	3,583	3,855	-	-	-	-	-	-
Return on shareholders' equity, %	15.5	11.4	17.2	18	12	14	18	13	16	15
Equity/assets ratio, %	25.9	25.7	27.8	28	28	31	31	29	28	28
Cost-effectiveness	2,4	2,3	2,2	2,3	-	-	-	-	-	-
Alcohol Index	61,6	61,4	62,0	63	65	62	66	-	-	-
Total consumption, litres of pure alcohol per head of population aged 15+ ²	8.7	8.8	9.0	9.0	-	-	-	-	-	-
Systembolaget's share of consumption, % ²	66.9	65.6	63.1	63	-	-	-	-	-	-
Other key performance indicators										
Trading margin, %	12.8	12.6	12.6	12.6	12.6	12.8	12.8	12.8	12.8	12.7
Operating margin, %	0.7	0.7	0.9	0.8	0.6	1.4	0.7	1.1	0.7	1.4
Stock turnover rate, multiple	23.1	22.4	21.8	22.7	22.9	23.5	23.9	24.7	24.5	25.7
Yearly employees ³	3,613	3,496	3,359	3,258	3,159	3,101	3,038	2,994	3,113	3,080

1 All key performance indicators are reported to one decimal place, as of 2017. 2 Reported figures as of 2019 are preliminary. 3 The "yearly employees" metric has replaced the former "average number of employees" metric", as of 2018. The comparison figures are adjusted in line with the new calculation.

Income Statement

SEK M	Note	2019	2018
Net sales	2, 3	32,211	30,907
Cost of goods sold		-28,092	-27,004
Gross profit/loss		4,119	3,903
Selling expenses	4, 5, 6	-3,121	-2,942
Administration expenses	4, 5, 6	-779	-738
Other operating income	7	12	6
Other operating expenses		-2	-2
Operating profit/loss		229	227
Income from participation in Group companies	8	16	17
Income from other securities and receivables classified as fixed assets	8	60	-19
Interest income	8	0	0
Interest expenses and similar P/L items	8	-1	0
Profit/loss after financial items		304	225
Appropriations	16	0	7
Profit/loss before tax		304	232
Tax	9	-64	-52
Net profit/loss for the year	10	240	180

No Statement of Comprehensive Income has been prepared as there are no transactions reported under Other comprehensive income

Balance Sheet

ASSETS

SEK M	Note	31-12-2019	31-12-2018
Fixed assets			
Tangible fixed assets			
Buildings and land	11	27	28
Equipment, fixtures and fittings	11	366	426
Construction work in progress	11	74	30
Total tangible fixed assets		467	484
Financial fixed assets			
Participations in Group companies	10	0	0
Deferred tax receivables	9	26	34
Other long-term securities holdings	12	2,808	3,140
Other long-term receivables	12	5	7
Total financial fixed assets		2,839	3,181
Total fixed assets		3,306	3,665
Current assets			
Inventory	13	1,040	1,076
Receivables			
Accounts receivable		13	8
Current tax receivable		15	-
Receivables from Group companies		0	-
Other receivables		5	7
Prepaid costs and accrued income, Group companies	10, 14	8	7
Prepaid costs and accrued income	14	160	142
Total receivables		201	164
Short-term investments	12	106	0
Cash and bank balance	12	1,454	1,026
Total current assets		2,801	2,266
TOTAL ASSETS		6,107	5,931

SHAREHOLDERS' EQUITY AND LIABILITIES

SEK M	Note	2019-12-31	2018-12-31
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		240	180
Total non-restricted equity		1,131	1,071
Total shareholders' equity		1,563	1,503
Untaxed reserves			
Tax allocation reserve	16	25	25
Total untaxed reserves		25	25
Provisions			
Provisions	17, 18	92	84
Total provisions		92	84
Long-term liabilities			
Long-term liabilities to Group companies	10	88	85
Other liabilities		24	23
Deferred tax liabilities	9	0	-
Total long-term liabilities		112	108
Current liabilities			
Accounts payable		3,865	3,761
Current liabilities to Group companies	10	1	3
Current tax liability		-	5
Other liabilities		240	239
Accrued costs and prepaid income	19	209	203
Total current liabilities		4,315	4,211
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,107	5,931

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 2018	360	72	891	282	1,605
Transfer to non-restricted reserves			282	-282	-
Net profit/loss for the year				180	180
Dividend paid to the owner			-282		-282
Closing balance, 31 December 2018	360	72	891	180	1,503
Opening balance, 1 January 2019	360	72	891	180	1,503
Transfer to non-restricted reserves			180	-180	-
Net profit/loss for the year				240	240
Dividend paid to the owner			-180		-180
Closing balance, 31 December 2019	360	72	891	240	1,563

Cash Flow Statement

SEK M	Note	2019	2018
Operating activities			
Profit/loss before tax		304	232
Adjustment for items not included in the cash flow	22		
Depreciation and write-downs		150	157
Capital gain/loss		11	11
Other		-23	56
Cash flow from changes in working capital			
Change in inventory		36	93
Change in receivables		-24	-8
Change in liabilities		110	183
Change in financial receivables/liabilities from/to subsidiaries		17	4
Cash flow from operating activities after changes in working capital		581	728
Tax paid		-101	-104
Cash flow from operating activities		480	624
Investment activities			
Acquisition of tangible fixed assets		-134	-131
Acquisition/sale of financial fixed assets		246	74
Cash flow from investment activities		112	-57
Financing activities			
Dividend paid to the owner		-180	-282
Dividend received from AB K14 Näckströmsgatan		16	17
Cash flow from financing activities		-164	-265
Cash flow for the year			
Cash and cash equivalents at the beginning of the year		1,026	724
Cash and cash equivalents at the end of the year	22	1,454	1,026

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. Systembolaget holds a monopoly on retail sales of strong beer, wine, spiritous drinks, other fermented alcoholic beverages, and non-beverage alcoholic preparations in Sweden. 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.

The annual accounts for the 2019 financial year were approved for publication by the Board of Directors and the President on 26 March 2020 and will be submitted to the Annual General Meeting on 23 April 2020.

Bases for preparation

AMOUNTS AND FOREIGN CURRENCIES

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.

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.

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.

Systembolaget does not, as of 1 January 2012, prepare any consolidated accounts in accordance with chapt. 7, §3a of the Swedish Companies Act. 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.

New and amended standards

IFRS 16 Lease Accounting, is applicable from 1 January 2019. RFR 2 includes exemptions from IFRS 16 and companies that elect to apply the exemption rule shall report leasing costs linearly over the leasing period. Systembolaget's accounting principles are, therefore, unchanged from those applicable under IAS 17. No other new or amended IFRS standards or new interpretations, or the amendments to RFR 2 that came into force on 1 January 2019, have had any material effect on Systembolaget's financial reporting.

Future standards

None of the future standards, amendments, and interpretations scheduled to come into force in 2020 or thereafter are expected to effect or to have an effect on the accounts.

Important estimates and assessments

Systembolaget makes estimates and assumptions with regard to the future, based on the latest available and most reliable information and on historic experience.

Changes to preconditions may entail adjustments to the reported amounts for assets and liabilities in the next financial year due to the fact that the actual results can differ from the reported amounts.

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 on page 80.

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 true and fair view 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.

Income is generated, in every significant respect, by the direct sale of drinks, via Systembolaget's stores, to consumers. Sales of gift items and fees paid in conjunction with drinks auctions, amongst other things, are also included in the net sales. The percentage of revenues that derive from other sales channels, such as agent sales and home delivery orders, is not significant.

Sales are reported as income, in every significant respect, in conjunction with the sale of the goods to the customer. Sales are paid for in cash or by debit/credit card. Systembolaget also offers gift cards which are recognised as revenue in conjunction with their redemption. The gift cards are valid for a period of 5 years. Systembolaget also takes payment in advance for home delivery orders. These comprise such a small percentage of revenues, however, that they are not material. See Note 3 for details of the combined contractual liability. Systembolaget offers a 14 day right of withdrawal period. The percentage of returns is insignificant and has no material effect on revenues.

Revenues are valued at the transaction price to which Systembolaget calculates that it is entitled in exchange for the transfer of goods (ex. VAT).

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.

Operating segments

Systembolaget is of the opinion that there is only one reportable operating segment as the operations are conducted within a single business segment and a single geographical market.

Leasing

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 unless another systematic method better reflects the user's economic benefit over time. The leasing period 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, which was 21.4 per cent (22.0) as of 31 December 2019.

Deferred tax is calculated using the Balance Sheet method whereby temporary differences, that is 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 an-

nounced 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 for tax receivables expected to be realised in 2020 is 21.4 per cent. The tax rate for receivables expected to be realised in 2021 and thereafter is 20.6 per cent. Untaxed reserves are reported including deferred tax liabilities.

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.

Disclosures are made 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 eco-

nomical 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

Development costs in respect of ERP systems, for example, are carried as expenses as they arise.

Depreciation

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

Asset	Useful life
Buildings	33 years
Land	0 years
Machinery, fixtures and fittings	3-5 years
Improvements to another party's premises (in-store renovations)	7-20 years

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, that is the current value of the estimated future cash flows that the asset is expected to generate. A write-down is effected when the reported value exceeds the recoverable value for an asset and is capitalised immediately in the Income Statement.

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

Remuneration to employees

Remuneration in the form of salaries and pensions are reported as operating expenses during the period when the employee performs the services to which the remuneration refers. The expense is classified as a

selling expense or administrative expense, depending on the nature of the employee's duties.

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. Systembolaget has elected not to report them in the Balance Sheet under the Pension Provisions heading; rather, they are 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 2019 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.

Systembolaget's risk management policy is described in Note 12.

RECOGNITION IN AND ELIMINATION FROM THE BALANCE SHEET

A financial asset or financial liability is reported in the Balance Sheet when the company becomes a party to the instrument's contractual terms and conditions. A receivable is reported when the company has fulfilled its commitment and a contractual obligation exists for the counterparty to pay, even if an invoice has not yet been raised. Accounts receivable are reported in the Balance Sheet when an invoice has been raised. A liability is reported when the counterparty has fulfilled its commitment and a contractual obligation to pay exists, even if an invoice has not yet been received. Accounts payable are reported when an invoice is received.

A financial asset is eliminated from the Balance Sheet when the contractual rights are realised, when risks and benefits are transferred to another party, when rights to the cash flow cease, or when the company loses control over the asset. This applies equally to parts of a financial asset. A financial liability is eliminated from the Balance Sheet when the contractual commitment is fulfilled or otherwise ceases. This applies equally to parts of a financial liability. Acquisitions and divestments of financial assets are reported on the trade date. The trade date constitutes the date when the company undertakes to acquire or divest the asset.

CLASSIFICATION AND VALUATION

Financial assets are classified using the business model in which the asset is managed and the nature of its cashflow.

If the financial asset is held within the framework of

a business model whose objective is to collect contractual cash flows, and the contractual terms and conditions of the financial asset give rise, at set points in time, to cash flows that exclusively comprise payments of principals and interest on the outstanding principal, the asset is reported at the amortised cost. This business model is categorised as "hold to collect".

If the financial asset is held in a business model whose objective can be achieved both by collecting contractual cash flows and by selling financial assets, and the contractual terms and conditions of the financial asset give rise, at set points in time, to cash flows that exclusively comprise payments of principals and interest on the outstanding principal, the asset is reported at fair value via Other comprehensive income. This business model is categorised as "hold to collect and sell".

All other business models where the purpose is speculation, held for trading, or where the nature of the cash flow excludes other business models, entail reporting at fair value via the Income Statement. This business model is categorised as "other".

Systembolaget applies the "hold to collect" business model for loan receivables, accounts receivable, and other current receivables, and the assets are accordingly reported at amortised cost. Loan receivables and accounts receivable are financial assets that have fixed or fixable payments and which are not quoted on an active market.

Systembolaget applies the "other" business model with regard to other long-term securities holdings, short-term investments, and cash and cash equivalents, which means that they are valued at fair value via the Income Statement. Cash and cash equivalents

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

Accounts payable are primarily in Swedish kronor and are valued at amortised cost. The expected term of accounts payable is, however, short, and the liability is, therefore, reported in a nominal amount without discounting. Current account overdrafts are valued at amortised cost using the effective interest method. Other financial liabilities are classified at amortised cost.

FAIR VALUE

The fair value of financial assets and liabilities traded in an active market is determined with reference to the listed market price. The fair value of other financial assets and liabilities is determined in accordance with generally accepted valuation models, such as the discounting of future cash flows and by means of information gathered from current market transactions.

The reported value of all financial assets and liabilities is deemed to constitute a good approximation of their fair value, unless otherwise specified.

AMORTISED COST AND THE EFFECTIVE INTEREST METHOD

The amortised cost of a financial asset is the amount at which the financial asset is valued in conjunction with it first being reported, minus the principal, plus the accumulated write-down using the effective interest method of any difference between the principal and the outstanding principal, adjusted for any writedowns. The reported gross value of a financial asset

comprises the amortised value of a financial asset before adjustments for any loan-loss reserve. Financial liabilities are reported at the amortised value using the effective interest method or at fair value via the Income Statement.

The effective interest rate is the interest rate which, in conjunction with a discounting of all future estimated cash flows over the anticipated term, results in the initially reported value of the financial asset or financial liability.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset and reported with a net sum in the Balance Sheet when a legal right to offset exists and when the intention exists to regulate the items in a net sum or to simultaneously realise the asset and regulate the liability.

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 settle 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 settle the existing commitment. When the effect of the point in time at which payment is made is significant, the current value of anticipated future cash flows is calculated. Provisions are reviewed as of every closing day and, if necessary, adjusted to reflect the current best estimate.

Contingent liabilities

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

Cash Flow Statement

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

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

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

Proposed appropriation of profits and signatures

The Board of Directors proposes that the profits available for allocation, comprising SEK 1,131,090,319, be appropriated as follows:

Dividend (SEK 667,4 per share)	240,277,634
Carried forward	890,812,685
Total	1,131,090,319

It is proposed that the dividend be disbursed on 7 May 2020.

The Board of Directors is of the opinion that the proposed dividend payment is justifiable with reference to the requirements laid down in chapter 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, 19 March 2020

Kenneth Bengtsson
Chairman

Viveca Bergstedt Sten
Member

Robert Damberg
Member

Anders Ehrling
Member

Ulrika Eriksson
Member

Cecilia Halle
Member

Barbro Holmberg
Member

Frida Johansson Metso
Member

Håkan Leifman
Member

Robert Adrell
Employee representative

Maria Nilsson
Employee representative

Magdalena Gerger
President

Our audit report was submitted on 19 March 2020
Deloitte AB

Didrik Roos

Sustainability notes

About our Responsibility Report

The Responsibility Report integrates our annual accounts and our Corporate Governance Report with our Sustainability Report. Systembolaget began producing a more integrated report in 2017, in order to describe our work with sustainability issues in line with the 2017-2020 strategic plan, where sustainability formed an integral part. This strategic plan is still in force, so the fundamental structure of the 2019 sustainability report is the same as in the preceding year. The reporting is, therefore, structured in line with the three strategic shifts of our current strategic plan:

- Continue to impress our customers
 - Comprises significant sustainability issues in relation to the customer interaction and sustainability issues in relation to our range and supply chain. Issues relating to the environment and climate are integrated with social issues in the section on a sustainable supply chain. This section also includes details of Systembolaget's own environmental and climate work, and our ethics and anti-corruption work.
- Increase awareness of alcohol's risks and why Systembolaget exists
 - Comprises our efforts to limit the harmful effects of alcohol.
- Creating optimum conditions
 - Comprises sustainable performance environments and our efforts to reflect society's diversity. This section also addresses our work with IT in order to clarify how important this is in creating optimum conditions. This strategic shift also includes our strategic key performance indicators in the financial area.

Systembolaget's 2019 Responsibility Report continues to draw inspiration from the Integrated Reporting (IR) regulations issued by the International Integrated Reporting Council (IIRC), with regard to the presentation of our operations' value creation and business model. IR is, however, a principles-based framework without specific reporting criteria, and Systembolaget has consequently elected to continue preparing its sustainability reporting in accordance with GRI Standards.

GRI, Global Reporting Initiative, is a global network that issues reporting frameworks and guidelines for sustainability reporting. The 2019 report has been prepared in accordance with the GRI Standards Core option. The most recent report was published on 19 March 2019. Systembolaget's external auditors conducted a combined review for this year's Sustainability Report, as was the case last year, involving a review of the report coupled with an audit of the key performance indicator, sick leave percentage. The audit was also extended to include the following key performance indicators which were previously only subject to a review: performance culture, staff turnover, percentage of performance reviews, gender breakdown, and the percentage of employees with a foreign background. The expansion was conducted as part of our long-term ambition to transition towards an audit-level review of the entire integrated report. See Auditor's review report in respect of the Sustainability Report on page 136.

The financial reports for 2019 comprise Systembolaget AB only, while the Sustainability Report for the 2019

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.

There is at least one key performance indicator or GRI disclosure for every material sustainability area within the three strategic shifts, in order to ensure monitoring and reporting. The materiality analysis shows that the most material sustainability issues are the same as in the preceding year, and the majority of company-specific key performance indicators and GRI disclosures included in the 2018 GRI index are, therefore, still relevant.

The analysis of the company-specific key performance indicator, CSI – Sustainability – has, however been widened to present the overall level at which both the environment and social issues are included with greater clarity. This change was made in order to comply with the decision by the Board that the overall level of CSI – Sustainability shall henceforth be a strategic key performance indicator. The percentage of employees

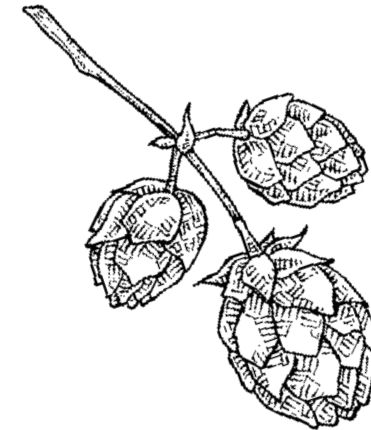
with a foreign background, which was previously included in GRI disclosure 405-1, is a new strategic key performance indicator and is hence also designated as a company-specific key performance indicator.

The key performance indicator for organic products' share of sales is reported, as in the preceding year, as part of our sustainability management, but outside the scope of the GRI index. The same applies to a number of strategic indicators, such as the Alcohol Index and average alcohol consumption which, as in previous years, will be addressed within our integrated reporting but outside of 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 disclosures is conducted by Systembolaget's Sustainability Controller. 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 Protocol¹⁵ (the GHG protocol). Any amendments to comparison figures from previous years' reports are noted under the disclosure in question.

Systembolaget's annual internal audit reviews a number of operational areas, including our anti-corruption work, which is based on a risk analysis that assesses relevance based on a jointly weighted risk value. This is described in greater detail in the Corporate Governance Report on page 83.

Contact person at Systembolaget
Press Manager, Lennart Agén
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Stakeholder engagement

Fulfilling our social mandate – and the important information provision element thereof – means that we engage in ongoing dialogue with the following stakeholder groups: owners, customers, employees, suppliers, producers and stakeholder organisations, and society as a whole. We determine which subgroups are most significant on a rolling basis to ensure that we create relevant networks and platforms for our stakeholder dialogues, and conduct questionnaire-based surveys at least once a year. We also hold roundtable discussions and conduct 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 2019, 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	Systembolaget and society	<p>Systembolaget meets regularly with politicians and those active in party politics to engage in dialogues about Systembolaget’s operations and social mandate. We pick up on and respond to topical issues by offering in-store work experience, through roundtable discussions, and through exhibitions at political parties’ major events, etc. The most commonly raised issues in 2019 concerned Systembolaget’s mandate, e-commerce, store establishments, and the local and small-scale range.</p> <p>A growing interest in issues relating to Systembolaget’s opening hours and our local presence was also noted during the year.</p>

Opinion surveys	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?” via Kantar Sifo’s telephone omnibus. The aim is to find out what our customers think about our monopoly. A total of 9,000 interviews are conducted every year.
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Information on the harmful effects of alcohol	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 and working life. 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.
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Attitudes to alcohol	IQ’s Alcohol Index is based on an attitude survey with the emphasis on binge drinking in a variety of situations. The primary purpose is to monitor how attitudes to alcohol in Sweden change over time, and the 2019 survey comprised 4,000 interviews with the aim of enabling the results to be broken down by county level.
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A number of dialogues on various different themes were conducted during the year, including ones relating to alcohol and sport, which were primarily conducted through the “Fotboll utan Fylla” [Sober Football] collaborative project, and others on the subjects of sex and relationships among young people, and alcohol and mental illness. The theme of teenagers and alcohol is an annually recurring one, and one where IQ provides working materials and dialogues based on its “Teenage Phrasebook” handbook. IQ’s efforts are designed to create dialogues between individuals and relevant parties at local, regional, and national level.

<p>Diversity and inclusiveness</p>	<p>Launch of SFI (Swedish for Immigrants) material in SFI schools in various locations nationwide in order to reach new arrivals with information on Systembolaget’s purpose and role, and on the risks of alcohol. The SFI-related communication was updated in the spring of 2019 to reach out the target group – SFI teachers – more effectively.</p> <p>Dialogue with county councils’ ANDT-Coordiators on how we can reach out to new arrivals with information about Systembolaget. (ANDT is the Government’s Council on alcohol, narcotics, doping and tobacco issues). Dialogues were held in the spring of 2019, during which we highlighted the availability of the SFI material and identified the target group, in order to enable them to talk to municipalities about the SFI material.</p> <p>We have an ongoing dialogue with stakeholder organisations in areas of relevance to our work with diversity and inclusiveness, including Funka, which works with accessibility for people with disabilities.</p> <p>Partnership with the Swedish Public Employment Service via a national cooperation agreement designed to help identify ways of helping reduce unemployment, with a primary focus on people who are new arrivals in Sweden or born overseas and on people with disabilities. Continued close dialogues and regular reconciliations for partnerships at both central and local level.</p> <p>Collaboration with the DUA Delegation (Delegation for young people and new arrivals in the labour market) in order to develop labour market measures for new arrivals. Ongoing collaboration.</p> <p>Dialogue with the European Social Fund regarding participation in the “Universal Design in the Workplace” (UDW) project. We have participated in UDW training during the year, and participation and collaboration with UDW will continue.</p> <p>The 2018 survey targeting people with a foreign background who have Arabic, Somali, or Farsi as their native languages has been used in decision-making processes relating to the making of a new summer recruitment film, in updating our website by making it easier to read, and by providing Information In Arabic and Farsi on applying for jobs at Systembolaget.</p>
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<p>Supervision</p>	<p>We conduct regular dialogues with supervisory authorities in areas of relevance to our operations, such as the Public Health Agency of Sweden, the Alcoholic Beverages Product Range Board, the Swedish Consumer Agency, the Swedish Competition Authority, the National Food Administration, the Swedish Tax Agency, Swedish Customs, and the Swedish Economic Crime Authority and the Swedish Police Authority.</p>
<p>Collaboration with higher education institutes</p>	<p>We have ongoing collaborations with a variety of higher education institutes with the aim of exchanging knowledge and information and as part of our efforts to be an attractive employer.</p>
<p>Collaboration with international institutions</p>	<p>In January, representatives of WHO and all of the European regions’ national contact persons for WHO, visited Systembolaget to learn more about our efforts to limit the harmful effects of alcohol. The attendees visited both stores and our Head Office. Systembolaget also took part in a WHO conference hosted by Sweden in Stockholm in January. Items on the agenda included a review of the implementation of the European action plan for harmful alcohol consumption. The starting points for the discussion were the WHO’s so-called “best buys”, availability, pricing issues, and marketing. In October, Systembolaget also attended a side event, organised by the WHO in connection with the European Health Forum in Gastein, when Systembolaget had the opportunity to tell a broad international audience more about our work as a tool for limiting the harmful effects of alcohol.</p>
<p>Customers</p>	<p>Good service</p> <p>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 125 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. The aim is to ensure that we are living up to our customers’ expectations of good service and a responsible interaction.</p>

	Customer interaction	We conduct ongoing quantitative studies where we monitor our customers' experiences of their interaction with us, wherever they choose to interact with us – via our digital contact interfaces (the website, app), via our digital store, via our Customer Services, via our agents, when they receive their home deliveries, and at our drinks auctions. This aim is to obtain a more in-depth picture of their experiences, to identify gaps between their expectations and our perceived performance, and to enable us to identify new developmental areas.
	Developing with the customer	We are continuously testing new solutions in the physical and/or digital environment where we can rapidly obtain customers' reactions. These reactions then form the basis for our further development work. Examples from 2019 include trials of "digital alarm clocks" in a couple of stores in order to facilitate the handover of ordered items, the fact that ordering from our entire range for collection in-store or for home delivery is now possible in several parts of Sweden, and new functionalities and new ways of passing on knowledge that are being beta tested in our new online store.
	Our sustainability work	We conduct an online sustainability dialogue with the public every year, during which we examine how they view different elements of our sustainability work, based on know-how, performance, and how important they think it is. The results form the basis for both our materiality analysis and our strategy and communication work. This year's dialogue was conducted with 2,000 randomly selected individuals aged 18 and above.
Owners	The social 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 service, and other issues of relevance to the company have also been discussed.
	Strategic goals	Owner dialogue and Annual General Meeting. A new strategic goal regarding diversity was introduced in 2019. It is followed up through the new strategic key performance indicator, percentage of employees with a foreign background.

	Sustainable enterprise	Owner dialogues, meetings with representatives of the Ministry of Health & Social Affairs and the Ministry of Enterprise & Innovation, Annual General Meeting. Dialogues during the year have addressed sustainability work in the supply chain, including South Africa, human rights work and Human Rights Due Diligence, and the Drinks Industry's joint initiative to reduce climate impact.
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 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 "Helping ensure that our customers are proud of Systembolaget".
	Discrimination, harassment, and bullying	An addition was made to the annual employee survey in the autumn of 2018 with regard to the Swedish Discrimination Act and the Swedish Work Environment Act. The aim is to map incidences of discrimination, harassment and bullying, and employees' perceptions of the psychosocial climate in the workplace. The results are reported and analysed at an overall level and any deficiencies detected will result in targeted measures being planned. The survey was developed this year so that each unit/store receives its own, individual results. Managers shall, in conjunction with allegations of discrimination, harassment or bullying, proven or otherwise, and in order to maintain anonymity, publish details of Systembolaget's rules and routines in relation thereto and of what to do and how to act if an employee feels vulnerable.

	Ethics and sustainability	Ethics dialogues designed to keep ethical issues front of mind and to create a dialogue on the ethical dilemma throughout the organisation. We have an ongoing dialogue regarding our Code of Conduct, for which there is also a mandatory online training course.
	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.
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 a number of member companies. Over the course of the year, we have collectively implemented a tool for measuring climate impact and clarified our shared target figures for the work. An Environmental Strategy Day at CEO level was held in November 2019, focusing on how we can work together in an even more concrete way in the years ahead to build an Industry with zero climate impact.

	Ongoing collaboration, incl. working conditions and health	Over the course of the year, we invited suppliers to attend three general supplier meetings focusing on a sustainable supply chain, both with specific reference to South Africa and generally in relation to producer visits, and one meeting that focused on and was held in cooperation with amfori. A further 14 events have been held for relevant suppliers in relation to our sustainability platform. We have also held a number of meetings at which range issues were prioritised and where the focus was on the provision of more sustainable products, e.g. through various types of packaging solutions. Newsletters have been distributed on a rolling base to our supplier chain throughout the year, and an English language newsletter was also distributed in the latter half of 2019.
	Following up on suppliers' sustainability maturity	We carry out annual situation analyses of our suppliers of fixed range products to establish their degree of sustainability maturity. The response frequency in 2019 was 100%. From 2020 on, the analysis will be conducted via our online sustainability platform.
	Collaboration	We have held other collaboration meetings and forums with SVL and the Swedish Brewers' Association on such subjects as product procurement, regulation, and monitoring of marketing and product labelling, e-commerce, including the customer journey, and the preconditions for coherent legislation.
Producers	Sustainability work, incl. working conditions and health	We have conducted around 100 third party audits and a further 30 or so producer visits focusing on sustainability during the year. In October, we held a seminar in Chile and Argentina, where the focus was on transparency and integrity.
Stakeholder organisations	Ongoing collaboration on social and environmental sustainability	Collaboration and ongoing dialogue with other Nordic monopolies within NAM (The Nordic Alcohol Retail Monopolies). A joint field trip to Austria was carried out in 2019 in order to increase our knowledge of the environmental challenges there. In September, a joint seminar was held in Helsinki, focusing on the risks in rum production.

Working conditions and health in the supply chain

The work being conducted within the framework of the Global Deal, and specifically our collaboration with the IUF (International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations), has been clarified during the year and resulted in a jointly produced process description for incident management. 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 continued to be a member of four project groups within the amfori organisation, where personnel from the sustainable supply chain unit are helping with amfori's development in a variety of ways. Systembolaget also holds a seat with the aim of representing and conveying members' views to the Board, via amfori. Systembolaget's Range, Procurement and Supply Chain Director has been a Member of amfori's Board since June 2019.

In 2018, Systembolaget signed up to Stronger Together, enabling a greater number of capacity-boosting measures in the South African producer stage of the supply chain. In mid-2019, Systembolaget signed up to Stronger Together USA, with the aim of countering modern slavery, and with an initial focus on responsible recruitment.

In 2019, Systembolaget joined a core group run by Axfoundation with regard to the launch of an Ethical Trading Initiative (ETI) in Sweden. Systembolaget intends to be one of the founder members of the network, where we see huge potential for working with other stakeholders to address shared sustainability challenges in the supply chain. The network will be set up in 2020.

Collaborative partnerships focusing on children and second-hand harm

Children who suffer as a result of adults' alcohol problems constitute a vulnerable group in society. Systembolaget has, therefore, in partnership with IQ, initiated a partnership with the aim of increasing societal awareness and engagement in this issue and to persuade more adults to act when they see children suffering. The goal is to reduce the number of children who suffer due to adults' drinking. Discussions and workshops were held during the year with the Trygga Barnen (the Safe Kids Foundation), BRIS (Children's Rights in Society), Maskrosbarn (the Dandelion Kids' Association), and Childhood children's rights organisations, with the aim of developing a joint platform on which to base our work and to draw up concrete activities. As a result, activities were held in 2019 under the shared tagline of "Barndom utan baksmälla" [Hang-over-free Childhood].

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 Protocol¹⁵ (GHG protocol). We have included relevant GRI disclosures for this (referred to in the GRI Standards as 305-1 and 305-2) in our sustainability reporting ever since, in order to report our climate impact in accordance with the GHG protocol.

The 305-1 disclosure applies to the area referred to within the GHG protocol as Scope 1, while 305-2 refers to the area known as 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.

The GHG protocol also include a Scope 3, which comprises other indirect emissions. We are successively analysing an ever-larger component of the climate impact from our supply chains and know, amongst other things, that our single biggest Scope 3 climate impact comes from packaging. As in previous years, however, we do not report Scope 3 in the Responsibility Report.

Our ambitions and governance when it comes to reducing our negative climate impact are presented in the section entitled Sustainable Supply Chain (page 41) and Sustainable Operations at Systembolaget (page 50). These sections describe our strategic key perfor-

mance indicator for carbon dioxide emissions. The key performance indicator was most recently revised in 2017 and now only includes our own operations. The revision occurred in conjunction with the adoption of a new climate goal with the ambition of reducing our emissions from purchased energy, coolants and 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.

Calculation of CO ₂ emissions, based on the GHG protocol	2019	2018	2017
Scope 1 Systembolaget's own vehicles and heating of the Learning Centre	304	322	283
Scope 2 Energy consumption, own operations (electricity and heating)	3 355 ¹	4 173	5 501
Total, CO₂e (tonnes)	3,659	4,496	5,783

If our electricity consumption for 2019 were to be calculated in accordance with the method referred to in the GHG protocol as "location based", which is based on IEA (2017), our carbon dioxide emissions from energy consumption would, instead, total 3,371 tonnes of carbon dioxide equivalents.

The year-on-year reduction in Scope 2 is primarily due to our ongoing programme of increasing energy efficiency and the mapping of the type of energy sources used for to generate the electricity we consume. See also page 52.

GRI Boundary table

Systembolaget has identified 15 company-specific key performance indicators for 2019, along with 8 GRI disclosures for monitoring the material sustainability areas, which we have grouped within our three strategic shifts. Boundaries and results for these disclosures and indicators are shown in the table below.

COMPANY-SPECIFIC KEY PERFORMANCE INDICATORS AND GRI DISCLOSURES IN OUR SUSTAINABILITY REPORTING

Strategic shift	Area	Boundary – the point in our value chain where the area is important – and the impact in brief	GRI disclosure	Company-specific key performance indicator *=Strategic key performance indicator	Result 2019	Goal 2019
Continue to impress the customers	Our customer interaction	The entire local community (everyone in Sweden) is affected directly and/or indirectly by our responsible selling and by information about our products and our social mandate.	102-43 (section concerning customer satisfaction)	Customer Satisfaction Index (CSI)* CSI – Social component CSI – Sustainability	85.1 82.4 74.9	84.5–85.0
	Carefully selected range	The entire local community (everyone in Sweden) is affected directly and/or indirectly by our responsible selling and by information about our products.		CSI – Range and offering	81.2	
	Sustainable supply chain	Material at both producer and cultivation level, but also in evaluating whether the suppliers take responsibility for these issues. We can exert influence through cooperation and education, and by requiring compliance with our Code of Conduct. The climate footprint of our supply chain has a considerable influence on sustainable development, and we use the same means of exerting influence here, with the emphasis on cooperation.	412-2 (Social responsibility in the supply chain)	Suppliers' sustainability maturity -situation analysis questionnaire - risk analysis - guidelines/ process for evaluating social responsibility	93.0 58.0 53.0	100.0 75.0 75.0
Sustainable in-house operations	Within the area of direct climate impact from our own operations we have the greatest potential for exerting influence, and this has an important signalling value, even if the scale is not material.	305-1 (direct sources) 305-2 (indirect sources)	Climate footprint of Systembolaget's own operations (net CO ₂)*	1 847 (-29%)	Annual reduction	
Ethics and anti-corruption	The area is material, both within the organisation and in the supply chain. We exert influence by reducing the risk of corruption, which is done by monitoring compliance with our Code of Conduct.	205-3 (Confirmed incidents of corruption where action has been taken)		3	-	

Strategic shift	Area	Boundary – the point in our value chain where the area is important – and the impact in brief	GRI disclosure	Company-specific key performance indicator *=Strategic key performance indicator	Result 2019	Goal 2019
Increase awareness of the risks associated with alcohol and why Systembolaget exists	The benefits of Systembolaget	The entire local community (everyone in Sweden) is affected, directly and/or indirectly, by how well Systembolaget succeeds with its aim of limiting the harmful effects of alcohol. We are, at the same time, aware that we are one of many factors that influence the outcome.	413-1 (Our influence on society)	Opinion Index (OPI) (The percentage who want to retain Systembolaget's monopoly on retail sales of spirits, wine, and strong beer)	73.9	77.5
	Increased social dialogue			Proof of age checks (%)	95.2	96.0
	Tools that help increase mindfulness					
	Research and facts					
Optimise conditions	Securing the talent pool	Throughout Systembolaget's operations, where we have a direct influence on our employees through measures designed to create optimum conditions.	404-3 (Focus – performance reviews)	Performance culture	81.7	82.0
				Sick leave (%)	4.5	4.4
				Staff turnover (%)	17.0	-
	Diversity and inclusiveness	We view diversity from a perspective that we are there for everyone in Sweden. The area is also material with regard to securing our own talent pool, which is an area where we have a direct influence through our recruitment processes.	405-1 (Diversity and inclusiveness)	Number of employees with a foreign background	12.7	13.0
	Finance	Throughout Systembolaget's operations, where we have a direct influence by conducting cost-effective operations such that we cover our costs and meet our owner's yield requirements, which are set in line with the fact that our primary goal is societal benefit.		Equity/assets ratio	25.9	20.0–30.0
				Return on shareholders' equity	15.5	8.0–9.0
Cost-effectiveness				2.4	≤ 2.3	

GRI index

This sustainability report complies with the Global Reporting Initiatives (GRI) guidelines, version Standards, and has undergone a combined review by Deloitte AB. Systembolaget, in accordance with the Core option, reports at least one disclosure or company-specific key performance indicator per material sustainability area. For the 2019 financial year, Systembolaget has grouped its material sustainability topics around seven sustainability issues within the GRI index.

This index includes all GRI disclosures or company-specific key performance indicators that Systembolaget has adjudged relevant to its operations on the basis of the company's most important sustainability issues, which are integrated into the strategic plan. Information on boundaries and other matters can be found in the index or via a reference to the location of the information in question. The 2016 publication year applies to the following GRI disclosures, unless otherwise specified.

Disclosure no.	Name	Reference	Page	Deviation or comment
GENERAL DISCLOSURES				
Organisational profile				
102-1	Name of the organisation	Note 1 - Accounting principles	106	
102-2	Activities, brands, products, and services	Systembolaget's business model	19	
102-3	Location of headquarters	Note 1 - Accounting principles	106	
102-4	Number of countries where the organisation operates	Note 1 - Accounting principles	106	
102-5	Ownership and legal form	Corporate Governance Report	83	
102-6	Markets served	Systembolaget's business model	19	
102-7	Scale of the organisation	Systembolaget's business model Income Statement Balance Sheet Note 2 - net sales Number of employees	19 102 103 * 129	* See Systembolaget's Ansvarsredovisning 2019 for full Notes to the Accounts.
102-8	Information on employees	Number of employees	129	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.
102-9	The organisation's supply chain	Sustainable supply chain	41	
102-10	Significant change to the organisation and its supply chain	Systembolaget's business model Sustainable supply chain	20 41	
102-11	Precautionary Principle or approach			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.

Disclosure no	Name	Reference	Page	Deviation or comment
102-12	External initiatives			Systembolaget has been a member of the amfori organisation since 2011 and of Global Compact since 2013. In August 2017, an agreement was signed with the IUF, International Union of Food, Agricultural, Restaurant, Catering, Tobacco and Allied Workers Associations, and, in the same year, a decision was taken to become a member of the Global Deal. Systembolaget has also been a member of Stronger Together, an initiative that works to prevent slavery in the supply chain, since June 2018. In 2016, Systembolaget Initiated the Drinks Industry Climate Initiative together with the Swedish Spirits & Wine Suppliers' Association (SVL) and the Brewers of Sweden Association. Systembolaget has also been a member of and one of the Initiators of the Ethical Trading Initiative (ETI) Sweden since December 2019.
102-13	Membership of associations			Systembolaget is, for strategic reasons, a member of amfori, the Swedish Trade Federation, the Confederation of Swedish Enterprise, the Centre for Business and Policy Studies (SNS), the Swedish Communication Association, the Royal Swedish Academy of Engineering Sciences (IVA), Center for Retailing (Stockholm School of Economics), and SIDA's network, Swedish Leadership for Sustainable Development (SLSD).
Strategy				
102-14	Statement from senior decision-maker	President's Statement	8	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behaviour	Ethics and anti-corruption	53	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.
Governance				
102-18	Governance structure	Corporate Governance Report	83	
Stakeholder engagement				
102-40	List of stakeholder groups	Stakeholder engagement	116	
102-41	Collective bargaining agreements			100% of the employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Materiality analysis	21	
102-43	Approach to stakeholder engagement	Stakeholder engagement The Customer Interaction	116 31	
102-44	Key topics and concerns raised	Stakeholder engagement	116	

Disclosure no	Name	Reference	Page	Deviation or comment
Reporting practice				
102-45	Entities included in the consolidated financial statements	About our Responsibility Report	114	
102-46	Defining report content and topic Boundaries	Materiality analysis	21	
102-47	List of material topics Identified	Materiality analysis	21	
102-48	Restatements of Information	About our Responsibility Report	114	
102-49	Changes In reporting	Materiality analysis	21	
102-50	Reporting period	About our Responsibility Report	114	
102-51	Date of most recent report	About our Responsibility Report	114	
102-52	Reporting cycle	About our Responsibility Report	114	
102-53	Contact point for questions regarding the report	About our Responsibility Report	114	
102-54	Claims of reporting in accordance with GRI Standards	About our Responsibility Report	114	
102-55	GRI index	GRI index	124	
102-56	External assurance	About our Responsibility Report Audit Report and Review Report in respect of the Annual Accounts. Combined assurance engagement of the Sustainability reporting Corporate Governance Report	114 131 136 83	

DISCLOSURES AND COMPANY-SPECIFIC KEY PERFORMANCE INDICATORS PER SUSTAINABILITY AREA

Disclosure no	Name	Reference	Page	Deviation or comment
Economic impact				
103-1/2/3	Management approach disclosures for financial key performance Indicators	Finance	74	
Company-specific key performance Indicator	Equity/assets ratio	Finance	75	
Company-specific key performance Indicator	Return on equity	Finance	75	
Company-specific key performance Indicator	Cost-effectiveness	Finance	75	
The customer interaction and carefully selected range				
103-1/2/3	Management approach disclosures for our customer Interaction and range	The Customer Interaction	31	
Company-specific key performance Indicator	Customer Satisfaction Index (monitoring customer satisfaction)	The Customer Interaction	34	

Disclosure no	Name	Reference	Page	Deviation or comment
Company-specific key performance Indicator	Customer Satisfaction Index - Social component (monitoring customer satisfaction with regard to the provision of information on the harmful effects of alcohol)	The Customer Interaction	34	
Company-specific key performance Indicator	Customer Satisfaction Index - Sustainability (monitoring customer with regard to sustainability)	The Customer Interaction	35	
Company-specific key performance Indicator	Customer Satisfaction Index - CSI Range and offering (monitoring customer satisfaction with regard to offering a broad and sustainable range)	A Carefully Selected Range	40	
Ethics and anti-corruption				
103-1/2/3	Management approach disclosures for ethics and anti-corruption	Ethics and anti-corruption	52	
205-3	Confirmed incidents of corruption where action was taken	Ethics and anti-corruption	54	This key performance indicator measures incidents when we have discovered that employees are in breach of our preventative routines to counter corruption, and this document contains no presentation of any termination of commercial agreements due to breaches of commercial terms by suppliers.
Systembolaget's sustainable operations				
103-1/2/3	Management approach disclosures for the climate and environmental impact of our own operations		50	
Company-specific key performance Indicator	Climate impact of our own operations (net CO ₂)	Systembolaget's sustainable operations	52	
305-1	CO ₂ emissions from direct sources, calculated using Scope 1 of the Green House Gas Protocol (GHG protocol), Own vehicles and own heating	GHG protocol	121	
305-2	CO ₂ emissions from indirect sources, calculated using Scope 2 of the Green House Gas Protocol (GHG protocol), Energy consumption, own operations	GHG protocol	121	
Securing the talent pool				
103-1/2/3	Management approach disclosures for how we secure the talent pool	Securing the talent pool	65	
404-3	Percentage of employees receiving regular performance and career development reviews	Securing the talent pool	67	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.
Company-specific key performance Indicator	Performance culture	Securing the talent pool	68	

Disclosure no	Name	Reference	Page	Deviation or comment
Company-specific key performance Indicator	Total sick leave, %	Securing the talent pool	69	
Company-specific key performance Indicator	Staff turnover, %	Securing the talent pool	69	
Diversity and inclusiveness				
103-1/2/3	Management approach disclosures for diversity and inclusiveness	Diversity and Inclusiveness	70	
405-1	Diversity of governance bodies and employees	Diversity and Inclusiveness	72	
Company-specific key performance Indicator	Percentage of employees with a foreign background	Diversity and Inclusiveness	71	
Increasing knowledge of alcohol's risks and why Systembolaget exists in order to reduce the harmful effects of alcohol				
103-1/2/3	Management approach disclosures for increasing knowledge of alcohol's risks and why Systembolaget exists in order to reduce the harmful effects of alcohol	Increasing knowledge of alcohol's risks and why Systembolaget exists	56	
413-1	Type of operations and fitness for purpose of the programmes that evaluate govern the organisation's impact on the local community	Increasing knowledge of alcohol's risks and why Systembolaget exists	56	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 other non-beverage alcoholic preparations, 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.
Company-specific key performance Indicator	Opinion Index (Measures Swedes' attitudes to Systembolaget)	Increasing knowledge of alcohol's risks and why Systembolaget exists	62	
Company-specific key performance Indicator	Proof of age checks. % (ensure that alcohol is not sold to minors)	Tools that help increase mindfulness	63	
A sustainable supply chain				
103-1/2/3	Management approach disclosures for GRI 414 - management approach disclosures for a sustainable supply chain	A Sustainable Supply Chain	41	
Company-specific key performance Indicator	Suppliers' sustainability maturity	A Sustainable Supply Chain	48	
414-2	Evaluation of negative social impacts in the supply chain and measures taken	A Sustainable Supply Chain	49	

Number of employees, 2019

	All employees			Permanent employees			Fixed term employees			Full-time employees			Part-time employees		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sales personnel	1,731	3,001	4,732	1,440	2,521	3,961	291	480	771	300	319	619	1,431	2,682	4,113
SA North*	970	1,483	2,453	814	1,239	2,053	156	244	400	151	129	280	819	1,354	2,173
SA South*	761	1,518	2,279	626	1,282	1,908	135	236	371	149	190	339	612	1,328	1,940
Store Managers	202	266	468	201	266	467	1	0	1	202	264	466	0	2	2
SA North*	105	123	228	105	123	228	0	0	0	105	121	226	0	2	2
SA South*	97	143	240	96	143	239	1	0	1	97	143	240	0	0	0
Janitors	2	7	9	2	6	8	0	1	1	0	0	0	2	7	9
SA North*	1	3	4	1	3	4	0	0	0	0	0	0	1	3	4
SA South*	1	4	5	1	3	4	0	1	1	0	0	0	1	4	5
HQ Personnel, Managers	51	62	113	51	62	113	0	0	0	51	62	113	0	0	0
of whom, Unit Managers	15	20	35	15	20	35	0	0	0	15	20	35	0	0	0
of whom, Area Managers	16	14	30	16	14	30	0	0	0	16	14	30	0	0	0
HQ Personnel, employees	229	294	523	227	285	512	2	9	11	223	282	505	6	12	18
Contract personnel															
Systembolaget, total	2,215	3,630	5,845	1,921	3,140	5,061	294	490	784	776	927	1,703	1,439	2,703	4,142
IQ	1	8	9	1	7	8	0	1	1	1	8	9	0	0	0
Total	2,216	3,638	5,854	1,922	3,147	5,069	294	491	785	777	935	1,712	1,439	2,703	4,142

* Sales Area

Comment: The number of employees refers to the number employed on 31 December, as per the Heroma payroll system. 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.

Percentage of employees, 2019

	All employees (%)			Permanent employees (%)			Fixed term employees (%)			Full-time employees (%)			Part-time employees (%)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sales personnel	37	63		36	64	84	38	62	16	48	52	13	35	65	87
SA North*	40	60		40	60	84	39	61	16	54	46	11	38	62	89
SA South*	33	67		33	67	84	36	64	16	44	56	15	32	68	85
Store Managers	43	57		43	57	100			0	43	57	100	0	100	0
SA North*	46	54		46	54	100			0	46	54	99	0	100	1
SA South*	40	60		40	60	100			0	40	60	100			0
Janitors	22	78		25	75	89	0	100	11			0	22	78	100
SA North*	25	75		25	75	100			0			0	25	75	100
SA South*	20	80		25	75	80	0	100	20			0	20	80	100
HQ Personnel, Managers	45	55		45	55	100			0	45	55	100			0
of whom, Unit Managers	43	57		43	57	100			0	43	57	100			0
of whom, Area Managers	53	47		53	47	100			0	53	47	100			0
HQ Personnel, employees	44	56		44	56	98	18	82	2	44	56	97	33	67	3
Contract personnel															
Systembolaget, total	38	62		38	62	87	38	63	13	46	54	29	35	65	71
IQ	11	89		13	88	89			11	11	89	100			0
Total	38	62		38	62	87	37	63	13	45	55	29	35	65	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 the financial year from 1 January 2019 to 31 December 2019, with the exception of the Corporate Governance Report on pages 83-100. The company's annual accounts are presented on pages 2, 4 -5, 20 and 76-112 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 2019 and its financial performance and cash flows for the year in accordance with the Swedish Annual Accounts Act. 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 OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities 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.

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 3, 6-19, 21-75 and 113-142.

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 materially 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 misstate-

ment 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, the Board of Directors and the President 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 President 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 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.

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. 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 or, if such disclosures are inadequate, to modify our opinion about the annual 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, including the disclosures, and whether the annual 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

the financial year from 1 January 2019 to 31 December 2019, 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.

BASES 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. In connection with 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 the starting point of 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 83-100 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 exam-

ination 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, 19 March 2020

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 2019 on pages 3, 6-19, 21-75 and 113-142, and for its preparation 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, 19 March 2020

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:

In our role as lay auditors and on behalf of the Swedish Parliament's Board of Administration, we have examined the administration and internal controls of Systembolaget AB in the 2019 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, 19 March 2020

Johan Forssell
(Lay Auditor)

Jörgen Hellman
(Lay Auditor)

Alexandra Völker
(Lay Auditor)

Auditor's combined assurance engagement on Systembolaget's Sustainability Report

To Systembolaget AB, corporate identity number 556059-9473:

We have been engaged by the Board of Directors of Systembolaget AB to perform a combined assurance engagement on Systembolaget AB's Sustainability Report for 2019. The company has defined the scope of the sustainability report alongside the list of contents for Systembolaget's 2019 Responsibility Report.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMPANY MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the executive company management are responsible for the preparation and presentation of the Sustainability Report in accordance with applicable criteria, which are specified alongside the list of contents for Systembolaget's 2019 Responsibility 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

Our responsibility is to express a conclusion on the Sustainability Report, based on our review. Our engagement is limited to the historic information presented and hence does not include future-orientated disclosures.

We have performed our engagement in accordance with ISAE 3000 *Engagements Other than Audits or Reviews of Historical Financial Information*. The review includes a limited assurance engagement comprising a review of the sustainability report as a whole and an audit of certain information which is specified below. The objective of an audit engagement is to obtain reasonable assurance about whether the information is free from material misstatement and entails reviewing a selection of supporting documentation for quantitative and qualitative information in the Sustainability Report. 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 conclusion based on our limited assurance en-

gagement consequently does not provide the same level of assurance as a conclusion based on an audit. This is a combined engagement and we consequently express our opinions with regard to the audit engagement and limited assurance engagement in separate sections.

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. 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.

The audit procedures conducted in conjunction with a review do not enable us to state with the same degree of certainty that we are aware of all important circumstances that could have been identified if an audit had been conducted.

Our limited assurance engagement has included sustainability-related information presented in Systembolaget AB's 2019 Responsibility Report, and the "Sick leave", "Staff turnover", "Gender breakdown", "Number with a foreign background", "Performance culture",

and "Performance review" key performance indicators on pages 67-73.

Our review is based on the criteria chosen by the Board of Directors and executive company management, which are defined above. We consider these criteria to be suitable for the preparation of the Sustainability Report.

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

OPINION

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the criteria presented above by the Board of Directors and the executive company management.

Based on our audit, we believe that the information presented in the Sustainability Report and comprised by our engagement has, in all material respects, been prepared in accordance with the criteria presented above by the Board of Directors and the executive company management.

Stockholm, 19 March 2020

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 survey also asks additional questions, including five questions about "everyday drinking" and which for the basis for the Everyday Index. The questions are put to 2,000 people aged 16 and above once a year. Data collection is carried out by Novus.

ALCOHOL REPORT

Systembolaget publishes an annual Alcohol Report. The aim of the Alcohol Report is to provide a cohesive overview of alcohol and its risks in Sweden.

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 gross margin.

AMFORI

The sustainability initiative that Systembolaget has signed up to - the Business Social Compliance Initiative (BSCI) - is, as of 2018, restructured as amfori. This has occurred 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 has continued as a product name during a transitional period, as is the case for BEPI, but they will shortly switch completely to amfori.

The initiative, which is based in Brussels, is a European, commercially run cooperation initiative for companies keen to improve working conditions in the global supply chain.

ANDT

Stands for Alcohol, Narcotics, Doping, and Tobacco issues. The overall goal of the ANDT strategy is a society free from narcotics and doping, with reduced medical and social harm caused by alcohol, and a reduction in tobacco usage.

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.

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 around 48,000 randomly selected customers, spread over all of the stores. The CSI is measured and reported three times a year.

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.

GLOBAL COMPACT

A UN initiative and framework for sustainable enterprise

with whose principles we have undertaken to comply. 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.

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.

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 around 5,800 control purchases are made every year in stores, and its these to which the strategic key performance indicator refers. The measurement consequently does not include the proof of age checks conducted by agents and in conjunction with home deliveries. Proof of age checks are carried out daily and reported every month.

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.

YEARLY EMPLOYEES

The term, yearly employees, corresponds to the time worked, including holidays, divided by the number of hours for a full-time position during the relevant period. The "yearly employees" parameter was introduced in 2018 and replaced the previous concept, "average number of employees".

Definition of alternative performance measures

Alternative performance measures are financial measures that are not defined in IFRS. Systembolaget believes that these measures provide valuable complementary information for our owner, Board of Directors, and executive company management in that they enable the evaluation of Systembolaget's profit/ loss and financial performance. Three alternative performance measures are included as objectives in Systembolaget's Owner's Directive.

The alternative performance measures are not always comparable with measures used by other companies as they may be calculated in different ways. These financial measures should, therefore, be regarded as a complement to measures defined in accordance with IFRS. See calculations below for reconciliation of the alternative performance measures that cannot be directly derived from the financial reports.

Alternative performance measure	Description	Usage
Return on shareholders' equity	The profit/loss for the period (rolling, 12 months) as a percentage of the average adjusted shareholders' equity. Shareholders' equity is adjusted for the standard tax rate on untaxed reserves.	This performance measure 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) and quantities sold (number of packagings sold weighted for the respective product groups' estimated processing time).	This performance measure is an objective set in the Owner's Directive for Systembolaget and is reported annually.
Operating margin	The operating margin excluding alcohol tax is calculated from the operating profit/loss as a percentage of net sales excluding alcohol tax.	This performance measure shows the percentage of revenues that can cover operating costs.
Operating profit	The operating profit is calculated from the gross profit, plus other operating income and less operating expenses.	This performance measure shows the profit/loss before net financial items and taxes.
Equity/assets ratio	Adjusted shareholders equity as a percentage of the Balance Sheet total. The shareholders equity is adjusted for the standard tax rate on untaxed reserves.	This performance measure is an objective set in the Owner's Directive for Systembolaget.

Return on shareholders' equity

SEK m	2019	2018
Operating profit/loss for the period, rolling, 12 months	240	180
Adjusted shareholders' equity ¹	1,552	1,576
Return on shareholders' equity	15.5 %	11 %

Cost-effectiveness

SEK m	2019	2018
Total overheads, SEK m, adjusted for non-recurrent items	3,930	3,690
Quantities sold, millions, weighted by processing time	1,636	1,604
Cost-effectiveness	2.4	2.3

Operating margin

SEK m	2019	2018
Net sales incl. alcohol tax	32,211	30,907
Net sales ex. alcohol tax	19,740	18,692
Alcohol tax	12,471	12,215
Operating profit	229	227
Operating margin ex. alcohol tax	1.2 %	1.2 %
Operating margin incl. alcohol tax	0.7 %	0.7 %

Equity/assets ratio

SEK m	2019	2018
Balance Sheet total	6,107	5,931
Adjusted shareholders equity ²	1,583	1,523
Equity/assets ratio	25.9 %	25.7 %

1. Average adjusted shareholders' equity

SEK m	2019	2018
Shareholders' equity	1,563	1,503
Tax allocation reserve	25	25
Standard tax on untaxed reserves	21.4 %	21.4 %
² Adjusted shareholders' equity	1,583	1,523
Adjusted shareholders' equity during the same period of the preceding year	1,522	1,630
Average adjusted shareholders' equity	1,552	1,576

List of references

No. Reference name

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- 2 *Hur många barn växer upp med föräldrar som har alkoholproblem? – Resultat från en systematisk litteraturoversikt/How many children grow up with parents who have alcohol problems? – the results of a systematic literature review, CAN/The Swedish Council for Information on Alcohol and Other Drugs*
- 3 *Alkoholrapporten 2019/2019 Alcohol Report, Systembolaget AB*
- 4 *Förtroendebarenmetern/Confidence Barometer, Medieakademin*
- 5 *ServiceScore*
- 6 *Alkoholkonsumtionen i Sverige 2018 (Monitormätningen)/Alcohol consumption In Sweden, 2018 (the Monitor Survey), CAN/The Swedish Council for Information on Alcohol and Other Drugs*
- 7 *Det går uppåt i åldrarna – Substansdebut bland -skolungdomar 1999–2019/The age Is rising – substance debuts amongst school students, 1999-2019, CAN/The Swedish Council for Information on Alcohol and Other Drugs*
- 8 *Skolelevers drogvanor 2017/School students' drug habits, 2017, CAN/The Swedish Council for Information on Alcohol and Other Drugs*
- 9 *Trender i dryckesmönster – befolkningens självrapporterade alkoholvanor under 2000-talet/Trends in drinking patterns – the population's self-reported alcohol habits in the 21st century, CAN/The Swedish Council for Information on Alcohol and Other Drugs*
- 10 *2018 World Vitiviniculture Situation, OIV Statistical Report on World Vitiviniculture, International Organization of Vine and Wine (<http://www.oiv.int/public/medias/6371/oiv-statistical-report-on-world-vitiviniculture-2018.pdf>)*
- 11 *Alkohollagen/The Swedish Alcohol Act*
- 12 *Sustainable Brand Index 2019*
- 13 *Evimetrix Swedish Brand Award*
- 14 *amfori Code of Conduct*
- 15 *Green House Gas Protocol, <http://ghgprotocol.org/>*
- 16 *What are the public health and safety benefits of the Swedish government alcohol monopoly?, T Stockwell et al*
- 17 *Global status report on alcohol and health 2018, World Health Organization*
- 18 *Global status report on noncommunicable diseases, World Health Organization*
- 19 *Age at Drinking Onset and Alcohol Dependence, R. W. Hingson et al*
- 20 *Alkoholrapporten 2018/2018 Alcohol Report, Systembolaget AB*
- 21 *Tonårsparlören/The Teenage Phrasebook, IQ-initiativet AB*

Financial calendar

23 April 2020	2020 Annual General Meeting
24 April 2020	Interim Report, January-March 2020
15 July 2020	Interim Report, January-June 2020
23 October 2020	Interim Report, January-September 2020

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