

Systembolaget's Responsibility Report 2016



Responsibility Report 2016

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Our responsibility



Magdalena Gerger, President
“We have made important progress.”

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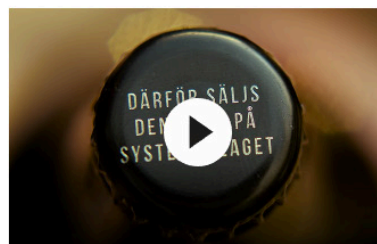
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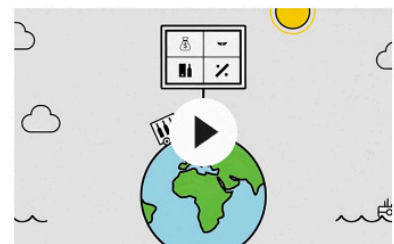
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Strategy:
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Europe drinks twice as much
How Systembolaget's monopoly
makes a difference in Sweden



Ethics and anti-corruption
Why anti-corruption is a priority
issue for us

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Digital reporting

Systembolaget's 2016 Responsibility Report is a purely digital report and no printed version of the report will be provided. This document is a printer-friendly pdf file generated from the digital report. This means, amongst other things, that it includes links (text in green) and texts designed to facilitate navigation on the website.

The original report is available here: ansvarsredovisning2016.systembolaget.se/en/

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President's Statement: Magdalena Gerger on the year gone by

Systembolaget's social mandate is based on the realisation that alcohol is not like other products. But by continuing our development work and achieving good results, we are making progress towards our goal of a society in which alcoholic drinks are enjoyed with due regard to health considerations so that no one is harmed.

2016 was a good year for Systembolaget. We met most of our owner's goals with regard to our social mandate, and our efforts to develop the customer interaction and product range have yielded results. At the same time, we have continued to strive to minimise alcohol-related risks and harm in society. Our successes are demonstrated by, amongst other things, continued high levels for both our [Proof of Age checks](#) and our [Customer Satisfaction Index \(CSI\)](#). Support for the retail sales monopoly, which is monitored by our [Opinion Index \(OPI\)](#) continues to be high, but has fallen slightly from last year's record high. Alcohol consumption levels in Sweden have fallen by 11 per cent over the past ten years and the [Alcohol Index](#) fell in comparison with the previous year.

We continued our efforts to become a more sustainable company in 2016, in order to live up to the high expectations of our customers, employees, and owner. Our owner's guidelines task Systembolaget with meeting its primary purpose of helping to reduce alcohol-related harm, conduct operations that promote sustainable development, act as role models, and ensure a high level of public confidence in the company. This means that we must combine economically, socially and environmentally sustainable development with generally responsible conduct. Responsible conduct includes working strategically and transparently and focusing on partnerships – and to this end, Agenda 2030 and helping to achieve the 17 global sustainability goals will, henceforth, be one of Systembolaget's responsibilities.

Systembolaget has made progress with the development of our range and improvement of the service we provide for our customers over the past year, and has, at the same time, ensured that we sell responsibly. Important measures have, to this end, been introduced in the areas of sustainability, leadership, digitalisation, and inclusiveness.

Systembolaget does not attempt to maximise either its profits or its sales. Our revenues shall cover our costs and the owner's dividend yield requirements, and no more. We have reviewed our operations and their cost trend over the years, and have accordingly boosted productivity levels. We have, amongst other things, reviewed the logistics process, updated the business system and conducted a frequency study that also forms the basis for a new pricing model that will be implemented in 2017 – and which will bring about a small reduction in the total surcharge, thanks to increased cost effectiveness.

Research and know-how

Systembolaget's mandate includes educating people about the risks associated with alcohol. We do this by means of, amongst other things, in-store interactions with customers, our website, and the seminars we organise on topical themes. Over the past year, we held [knowledge seminars](#) on a range of themes, including alcohol and cancer, alcohol and stress, and the ways in which we are affected by other people's drinking. We also held a seminar during the annual Almedalen week on the subject of [Alcohol consumption in Sweden and other countries](#). We also, in conjunction with these seminars, presented reports and other know-how situation reports on the respective themes.

By offering a forum for debate and dialogue on the latest findings of research in the field of alcohol, Systembolaget can help ensure that people are well-informed about the risks associated with alcohol. Our [annual alcohol research conference](#), which took place in May, brought together alcohol researchers from Sweden and other parts of the world. An annual know-how prize was awarded for the first time to a researcher who had helped increase our knowledge of alcohol.

Our independent Alcohol Research Council awarded SEK 7 million in grants to 31 different alcohol research projects. This more ambitious programme of grants was initiated last year and will grow still further next year. We have also boosted the expertise of our Alcohol Research Council by bringing international members on-board.

New strategic plan for 2017

Systembolaget decided, in 2016, to draw up a new strategic plan for 2017-2020. The plan will focus on three primary ambitions: Systembolaget shall continue to impress its customers, we shall increase our knowledge of the risks associated with alcohol, and we shall create the best possible working conditions for our 5,000 employees. We will do this by continuing to invest in developing both our skills and our operations, focusing at all times on the customer and benefits to society. These changes will form a key component of our development and monitoring of various key ratios

Reduced alcohol consumption but worrying normative shifts

The trend towards a reduction in alcohol consumption has continued, although it is levelling off. This is apparent from the most recent survey (from 2015) by The Swedish Council for Information on Alcohol and Other Drugs (CAN). The survey showed that alcohol consumption fell by just over 1 per cent, year on year, to 9.17 litres of pure alcohol per head of population aged 15 and above⁴⁵. The positive trend that has seen young people drinking less and less, and making a later drinking debut, is also continuing, and over the last ten years, alcohol consumption amongst students in the 2nd year of upper secondary school has fallen sharply⁴⁷. We are, however, also seeing a change in alcohol norms, with attitudes towards alcohol consumption in everyday life becoming increasingly permissive⁴⁸. The Alcohol Index, which is commissioned annually by our subsidiary company, IQ, is a combined measurement of people's attitudes towards alcohol in various situations. The Alcohol Index for 2016 fell to 63, which is below our target figure of 66. This is, however, a worrying trend towards reduced moderation, and something to which we need to pay increased attention.

Satisfied customers and continued strong popular support

Selling responsibly and providing good service is critical to Systembolaget's continued existence and contribution to positive social development. By offering a good customer interaction and providing quality advice – both on food and drink combinations and on alcohol and health – we ensure we maintain our customers' confidence in Systembolaget's role and monopoly. Systembolaget is, along with Sveriges Radio, the highest rated of all companies and social institutions in the Mediakademin Confidence Barometer survey, when it comes to public confidence²³.

Support for Systembolaget's monopoly (OPI) continues to be high. We commission TNS Sifo to ask the public whether alcohol should be sold through Systembolaget's monopoly or whether ordinary grocery stores should be able to sell it.

76 per cent of respondents said that alcohol should only be sold by Systembolaget. This is a high figure, but it is lower

explain why limiting the availability of alcohol – with the help of the monopoly – helps improve public health. This is an area in which we need to do more in the year ahead.

Our CSI remained at last year's record high level of 84 for the year as a whole, and the fact that we received the ServiceScore®¹¹ award in the categories of Best Service Company and Best Retail Company in Sweden for the fourth year in succession is proof that our employees' hard work and commitment are appreciated.

Sales and premiumisation

Sales by volume increased by 2 per cent from 470.7 to 479.6 million litres in 2016, and revenues increased from SEK 27.6 to SEK 28.5 billion. The increase was due both to the increase in sales volumes and to the so-called premiumisation trend, which is seeing many customers choosing to buy our more expensive products. Demand for alcohol-free and organic products continued to increase – 55.8 million (43.9) litres of organic products were sold during the year, corresponding to an increase of 27 per cent. Organic products accounted for 12 per cent (9) of total sales by volume during the year, and we have, therefore, already achieved our goal of 10 per cent of sales which we had set for 2020, showing that our customers share our far-reaching ambitions in this area.

Our customers' interest in buying more expensive products is particularly apparent in the beer segment. The number of small-scale producers, who are often craft brewers, is increasing apace with customers' interest in and knowledge of this kind of product. In order to highlight the breadth and depth of our beer range, we have developed our classification to include 60 different styles of beer from which our customers can choose.

We have been working on the development of a new store concept since the autumn of 2014, and in 2016, we opened another two trial stores in Stockholm and Malmö. Our new graphic profile was also introduced throughout our store chain in the autumn of 2016 after trials and evaluations in these stores. The trials yielded well-founded recommendations on the most effective way to roll out material choices, work activities, and cost issues, amongst other things.

Sick leave and inclusiveness work

Ensuring the health of our just over 5,000 employees is an important and obvious part of our role as managers. The sick leave rate for 2016 has remained at the same high level as in 2015, i.e. 5 per cent. We are working actively to map and get to grips with the various factors contributing to sick leave.

It is, however, pleasing to see that our employees perceive their work as offering a good performance environment at work and meeting their basic requirements. The performance index increased from 77 to 78 in 2016, and we consequently achieved our goal for the year.

We have been working to increase internal awareness of the need for inclusiveness in 2016, and employing more people with a foreign background ensures that our workforce more closely mirrors Sweden's population as a whole.

Sustainability continues to be a high priority

We continued to prioritise our efforts to increase sustainability throughout the value chain in 2016, both within our own operations, and amongst producers and suppliers. Systembolaget has conducted a wide-ranging materiality analysis as part of dialogues with other stakeholders and had, on the basis of this analysis, begun working on an increasingly integrated basis with sustainability issues from a broader perspective. We also note that although we have come a long way, we still face substantial challenges in this area, not least when it comes to working and living conditions in the supply chain.

As a major player, with substantial influence and a unique position in the market, Systembolaget has real potential for influencing developmental trends in the industry as a whole, which is why we view our efforts to promote the development of the global drinks industry towards sustainability as a natural and vital part of what we do. We focus on areas such as

throughout our product chain. In 2016, we increased the number of producer audits and have decided to increase the number still further in the years ahead, with focus on [at risk countries](#).

Unsatisfactory working and living conditions for vineyard workers in South Africa were highlighted in the autumn of 2016. These are high priority issues for Systembolaget, and our Code of Conduct enables us to make clear demands of our suppliers in order to ensure good conditions, all the way from the individual vineyard to the products that our customers buy. This is a long-term programme and one that needs to be conducted in collaboration with the producers, where we are successively taking small steps towards better working and living conditions.

Our sustainability work is based on the ten principles of the UN's [Global Compact](#) with regard to human rights, working conditions, the environment, and anti-corruption, and to which Systembolaget has been a signatory since 2013. In 2016, Systembolaget reported in accordance with the [Global Reporting Initiatives \(GRI\)](#) guidelines, G4, for the third time.

Reducing our climate impact is one of Systembolaget's strategic sustainability goals, and our climate goal for 2020 will entail a reduction in emissions of 14,000 tonnes of CO₂ equivalents per year from the base year figure in 2014. Our own operations only account for 2 per cent of our total climate impact, however, and if we are to become a more sustainable business, we must, therefore, involve our suppliers and producers in our work. We have continued our dialogues on the subject of lighter weight – and hence more sustainable – packagings in 2016, and have also highlighted the importance of packaging in our communication with customers.

Challenges for the future

Systembolaget currently enjoys both high levels of public confidence and high levels of customer satisfaction, but rising expectations mean that the change management work must continue. Increased expectations when it comes to our digital presence, transparency, a sustainable offering, and a clear premiumisation trend must be met. It is also vital, given our mandate, that the improvements we make in relation to product range and customer interaction do not result in increased consumption.

Our employees are Systembolaget's primary resource, and it is through training and the desire to learn that we can continue delivering a world-class customer interaction. Generating the preconditions for this development poses a challenge, both in our everyday operations, and in terms of our long-term strategic development work, as do ensuring a reduction in sick leave rates and increasing our company's diversity.

The increasingly prevalent view of alcohol poses a substantial challenge. The normalisation trend is directly antithetical to our vision of a society in which alcohol drinks are enjoyed with due regard to health considerations so that no one is harmed. Alcohol is being increasingly widely marketed, not least in social media, and the number of regulatory breaches is increasing. This is an area in which clearer regulations are a must if advertising is not to result in a shift in norms amongst the young people who encounter alcohol marketing on a daily basis in their social channels, the lower age limit of 20 notwithstanding. Commercial operators who circumvent the intentions of Sweden's alcohol policy in a variety of ways is another problem, and Systembolaget consequently welcomes the legislative proposals and investigations initiated by the Government.

I look forward to the future with every confidence. We must impress our customers while, at the same time, help reduce the harmful effects of alcohol. This is how we will continue to be an important component of a responsible alcohol policy.

Magdalena Gerger
President of Systembolaget

Systembolaget in brief



- 5,461 employees
- 438 stores and approximately 500 agents
- Approximately 700 active drinks suppliers
- Approximately 16,950 items – 2,450 in the fixed range, 13,500 in the available for order range, and 1,000 in the local and small-scale range.
- Approximately 122.1 million customer visits to our stores
- 40 million visits via digital channels (systembolaget.se, the Search & Find app, and the Promillekoll app)
- Net sales: SEK 28.5 billion
- Net profit for the year: SEK 289 million
- Return on shareholder' equity: 17.6 per cent
- Equity/assets ratio: 28.2 per cent

Our responsibility for sustainable development

Systembolaget's social mandate means selling responsibly, providing a high standard of service, and providing information on the risks associated with alcohol. This means accepting a responsibility that stretches far beyond our stores. We use information and dialogue to help promote a smarter approach to alcohol that is expressed in our vision: a society in which alcoholic drinks are enjoyed with due regard to health considerations so that no one is harmed. We have made progress, but we still have a long way to go. Our strategies are always rooted in research and we update them in line with new know-how and changing conditions. We understand that our mandate demands that we work sustainably and that we take a long-term approach.

Systembolaget is a major player with substantial influence and a unique position in the beverage market. Just as it is, for us, a given that we take responsibility for our employees and our own environmental impact and that we have zero tolerance for corruption and discrimination, so are we also keen to work with our suppliers to ensure good working conditions and human rights, reduce environmental impact, and counter corruption within the supply chain in exactly the same way.

Our priorities, when it comes to sustainability, are based on a materiality analysis, and sustainability issues are fully integrated into our new, overall strategic plan. We are currently carrying out a programme of strategic work designed to further clarify our ambitions in the sustainability sphere, based on our unique role, to show how our work contributes to achieving global sustainability goals, and to identify ways in which we can integrate sustainability even more deeply into our day-to-day operations.

Working at Systembolaget means being part of Sweden's alcohol policy. It is our employees' expertise and commitment that impresses our customers and ensures their satisfaction. We are endeavouring to become increasingly inclusive and are working continuously to create, improve and maintain good performance environments for our employees. This is how we will reinforce our employees' ability to take responsibility for the entire value chain within which Systembolaget works. It is our employees who continue to generate the high levels of public confidence that Systembolaget enjoys.

Our responsibility for sustainable development, expressed in our customer promise:

You should always feel welcome.

- You are welcome and should be treated with respect, whoever you are and whatever the reason for your visit.
- We are here for you and we should actively show how happy we are to see you.
- We will do everything we can to help you – simply and smoothly.

You should always feel that you've learned something from us.

- We should share our knowledge generously in a way that suits you.
- You choose and we provide inspiration, so that you can enjoy our drinks with due regard for both your own health and other people's.
- Our advice is brand-neutral and tailor-made for you, to ensure you can make good, informed choices.

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

- Our selling rules include consideration for everyone's well-being, and we adhere to them at all times.
- The products you buy are carefully selected and we are keen to ensure that they are sustainable, both for people and for the environment.

- Our goal is not to make as much money as possible. We are happy to talk about why Systembolaget exists, and the benefits we bring.

Our responsibility and our sustainable development work come under the heading of seven overall – and very important – sustainability areas:

- Limit the harmful effects of alcohol
- Good working conditions in the supply chain
- Environmental improvements in the supply chain
- Climate impact
- Ethics and anti-corruption
- Sustainable performance environments
- Inclusiveness

The President's Statement contains further information about significant events during the year. To find out in more detail about how we work and events during the year, see the respective sustainability area.

Material sustainability area	Delimitation – the points in our value chain at which this area is material	Company-specific key ratios	Outcome 2016	Goal 2016	Goal 2017	GRI indicator
Limit the harmful effects of alcohol	The entire local community (everyone in Sweden)	Customer Satisfaction Index (CSI)	84	84.5	85	
		CSI – social element	81	79	81	SO1
		Proof of age checks, %	96	96	96	PR5
		Alcohol index	63	66	>66	
		Opinion index, OPI, %	76	77	77	
Good working conditions in the supply chain	Material at both producer and cultivation level, but also in assessing the responsibility that suppliers take for these issues.	Percentage of suppliers who have confirmed the Code of Conduct electronically, %	96	100	100	HR11 LA15
Environmental improvements in the supply chain	Material at both producer and cultivation level, but also in assessing the responsibility that suppliers take for these issues.	Organic products as a percentage of sales, %	12	9	–	EN27 (See also Climate)
Climate impact	Packaging has by far the biggest climate impact of any part of the value chain, followed by transport. The scale of the direct climate impact of our own operations is not material, but it does have an important signal value.	CO₂ emissions from electricity, business travel, packaging, tonnes	+4,575	-3,000	-7,000	EN15 EN16
Ethics and anti-corruption	The area is material, both within the organisation and in the supply chain.	No	–	–	–	SO5
Sustainable performance environments	All of Systembolaget's operations.	Performance culture	78	78	–	LA10
		Total sick leave rate, %	5.0	4.6	4.8	LA11
Inclusiveness	Our view of diversity is based on the fact that we are here for everyone in Sweden. The area is also material from the point of view of our own talent pool.	No, covered by LA12	–	–	–	LA12

Stakeholder engagement

We are engaged in ongoing dialogues with the following stakeholder groups: owners, customers, employees, suppliers, and society as a whole. We conduct questionnaire-based surveys at least once a year and also hold roundtable discussions and carry out surveys based on need and specific subject areas. The results of our questionnaire-based surveys and dialogues are used in, amongst other things, Systembolaget's strategic work, and form the basis for our strategic key ratios. We usually conduct some form of stakeholder mapping work to ensure we target the right stakeholders within the stakeholder groups, in line with the occasion and the dialogue objective, in order to determine which stakeholders are likely to be able to make a contribution. We conducted the following dialogues in 2016.

Stakeholder group	Important key issues	Examples of activities and dialogues to address these key issues
Society		
	Ensure that alcohol is not sold to minors	Proof of age checks
	Information on the harmful effects of alcohol	Information on alcohol and health at systembolaget.se Opinion Index (OPI) Research The work of the IQ initiative Alcohol Index
	Brand monitoring	A representative sample of men and women aged between 18 and 74 are asked for their views on Systembolaget four times a year. The questions we ask include their views of the impact of alcohol on society as a whole. The questionnaire takes the form of a web panel, and 4,000 interviews were conducted during the year.
	Inclusiveness work	Collaboration with the Swedish Public Employment Service and their Sweden Together/100 club initiative, the purpose of which is to help new arrivals and those born in other countries enter the labour market.
Stakeholder group		
Customers		
	Range & offering	Focus on more climate-friendly packaging and on a more extensive range of organically and ethically labelled products
	Good service	Customer Satisfaction Index (CSI)
	Customer interaction	We want to ensure that we live up to our customers' expectations of good service and a responsible interaction every time they interact with Systembolaget. This is why we conduct annual measurements of the customer experience in physical stores (CSI), the digital store (ordering service), from our agents, at systembolaget.se, in our Search & Find app, at our drinks auctions, and from our Customer Services (via phone, email, Facebook or online chat service)
	Knowledgeable & proactive personnel	Internal focus on the customer interaction, proactivity, and offering the right service for every customer
	Informed alcohol consumption	Customer insight surveys of alcohol and health
Stakeholder group		
Owner		
	Alcohol policy mandate	Owner dialogue and AGM. We have an ongoing dialogue with our owners to ensure that we live up to their expectations and requirements

Strategic goals Owner dialogue, Annual General Meeting

Sustainability, this year primarily focusing on diversity, climate and human rights Owner dialogue, Annual General Meeting, seminars

Stakeholder group **Important key issues** **Examples of activities and dialogues to address these key issues**

Employees

Skills & development Ongoing performance reviews

Performance terms Work with Good Leadership (DGL) and employee questionnaire-based surveys

Authority & confidence Ethics dialogues

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

Stakeholder group **Important key issues** **Examples of activities and dialogues to address these key issues**

Suppliers

Sustainability work, for example with regard to lightweight glass bottles Systembolaget provides ongoing information on lightweight glass bottles via the Supplier Portal, at supplier meetings, and as part of the ongoing dialogue with the suppliers' industry organisations. Systembolaget has also received letters and questions from international industry organisations and held meetings with them to engage in a dialogue and provide details of Systembolaget's climate work. Systembolaget has postponed the introduction of its requirement for lightweight glass bottles for 75cl bottles of still wine as part of these discussions in order not to get ahead of events in this area. Systembolaget's ambition is, however, to implement lightweight glass bottles and to reduce the climate impact of its packaging in order to achieve its climate goals by 2020

Sustainability work The Supplier Barometer

Code of Conduct Reference group comprising representatives of the Swedish Spirits & Wine Suppliers Association (SVL) and the Brewers of Sweden Association, and representatives of independent suppliers

Industry development issues Structuring regulations for the transition to lightweight glass bottles

Range & quality Field trips to producing countries

Materiality analysis

We elected, ahead of this year's Report, to confine ourselves to updating previous years' materiality analyses. We conducted a stakeholder survey in order to ensure that our sustainability areas correspond to our stakeholders' expectations and to gain an understanding of our customers' perceptions of Systembolaget's position in the various areas.

We sent out an online questionnaire to:

- Our customers – everyone in Sweden. (A nationwide representative selection of people aged 15 and above. We received just over 1,000 responses.)
- Systembolaget managers – departmental managers, unit managers, sales managers, area managers, and store managers (ca. 500 employees)
- Our 100 biggest suppliers

Representatives of Ministry of Health and Social Affairs and the Ministry of Enterprise and Innovation were also invited to enter into a qualitative dialogue on our sustainability areas.

Results of the stakeholder dialogues

The results demonstrate very small changes from previous years. The priority areas identified in 2015 are deemed still to be either important or very important by external stakeholders, the owner, and Systembolaget's managers. At the top of the list were the issues associated with Systembolaget's objective – limiting the harmful effects of alcohol. In second place came social responsibility in the supply chain, closely followed by environmental issues in the supply chain, such as transport and packaging, and efforts to counter corruption. Organic products were ranked slightly lower, but are still regarded as important. The area regarded by customers, managers and suppliers alike as least important, relatively speaking, was diversity. This is, however, an area that our owner regarded as a high priority issue.

The stakeholder survey also revealed that awareness levels with regard to Systembolaget's sustainability work are relatively low amongst the Swedish population, with the exception of when it comes to issues related to limiting the harmful effects of alcohol and our organic products range.

Our seven areas of responsibility

The materiality analysis has been used as the basis for Systembolaget's reporting, and we report our operations within the framework of our seven material sustainability areas:

- Limit the harmful effects of alcohol
- Good working conditions in the supply chain
- Environmental improvements in the supply chain
- Climate impact
- Anti-corruption
- Sustainable performance environments
- Inclusiveness

GRI Index

This sustainability report complies with the Global Reporting Initiatives (GRI) guidelines, version G4, and has been verified by Ernst & Young AB. Systembolaget, in accordance with the Core option, reports at least one indicator or company-specific key performance indicator per material sustainability aspect. Systembolaget has identified seven material sustainability aspects for the 2016 operational year.

Find out more about [this year's report](#).

The list of contents includes all sustainability aspects and the indicators or company-specific key performance indicators that Systembolaget has adjudged relevant to its operations on the basis of the company's most important sustainability aspects. Information on Aspect Boundaries *and others* can be found in the index or via a reference to the location of the information in question.

General standard disclosures

Page

● Reviewed ● Audited

Strategy and analysis				
G4-1	Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	President's Statement: Magdalena Gerger on the year gone by	●	4-8
Organisational profile				
G4-3	Report the name of the organisation	The operations	●	70
G4-4	Report the primary brands, products and services	The operations	●	70
G4-5	Report the location of the organisation's headquarters	Note to the accounts	●	114
G4-6	Report the number of countries where the organisation operates	The operations	●	70
G4-7	Report the nature of ownership and legal form	The operations	●	70
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	The operations	●	70
G4-9	Report the scale of the organisation, including: <ul style="list-style-type: none"> - Total number of employees - Total number of operations - Net sales - Quantity of products or services provided - Total assets - Beneficial ownership - Sales and revenues by countries or regions that make up 5% or more of total revenues - Costs by countries or regions that make up 5% or more of total costs - Employees 	The operations, Income Statement, Balance Sheet, G4-10 Total number of employees, Note 2 – Net sales	●	70, 74, 107-111, 20
G4-10	<ul style="list-style-type: none"> * Report the total number of employees by employment contract and gender * Report the total number of permanent employees by employment type and gender * Report the total workforce by employees and supervised workers and by gender * Report the total workforce by region and gender <p>Aspect boundary: it is not possible to obtain figures for contract personnel from our system in that we use our payroll system, Heroma, which only shows Systembolaget employees, in our calculations. We currently have no means of reporting contract personnel in a corresponding manner, and contract personnel are consequently excluded in order to eliminate the risk of misleading reporting.</p>	G4-10 Total number of employees	●	20

G4-11	Report the percentage of total employees covered by collective bargaining agreements Comment: 100% of the workforce is covered by collective bargaining agreements.		●	
G4-12	Describe the organisation's supply chain	Good working conditions in the supply chain , Environmental improvements in the supply chain , Systembolaget's supply chain	●	141
G4-13	Report any significant changes during reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: – Changes in the location of, or changes in, operations, including facility openings, closings, and expansions – Changes in the share capital structure and other capital formation – Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	The operations , Good working conditions in the supply chain	●	70, 33-35, 36, 143
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation Comment: Systembolaget does not use the precautionary approach as a control concept per se, but we operate in accordance therewith in many cases, e.g. the risk analyses and their follow-ups conducted in order to identify, evaluate, compile and report risks, including sustainability-related risks. Risk management is followed up annually.		●	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the company subscribes or which it endorses Comment: Systembolaget has been a member of the Business Social Compliance Initiative (BSCI) organisation since 2011. Global Compact member since 2013.		●	
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation – holds a position on the governance body – participates in projects or committees – provides substantive funding beyond routine membership dues – views membership as strategic Comment: Systembolaget is, for strategic reasons, a member of the Business Social Compliance Initiative (BSCI), the Swedish Trade Federation, the Swedish Association of Communication Professionals, the Royal Swedish Academy of Engineering Sciences (IVA), and of the SIDA (Swedish International Development Cooperation Agency) network Swedish Leadership for Sustainable Development (SLSD).		●	

Identified material Aspects and their Boundaries

G4-17	* List all entities included in the organisation's consolidated financial statements or equivalent documents * Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	About our Responsibility Report	●	132
G4-18	* Explain the process for defining the report content and the Aspect Boundaries * Explain how the organisation has implemented the Reporting Principles for Defining Report Content	Materiality analysis	●	13
G4-19	List all the material Aspects identified in the process for defining report content	Materiality analysis	●	13
G4-20	* For each material Aspect, report the Aspect Boundary within the organisation, as follows: – report whether the Aspect is material within the organisation – if the Aspect is not material for all entities within the organisation, select one of the following two approaches and report either: – the list of entities or groups of entities included in G4-17 for which the Aspect is not material, or: – the list of entities or groups of entities included in G4-17 for which the Aspects is material * Report any specific limitation regarding the Aspect Boundary within the organisation	Our responsibility for sustainable development	●	9–10

G4-21	<p>* For each material Aspect, report the Aspect Boundary outside the organisation, as follows:</p> <ul style="list-style-type: none"> – Report whether the Aspect is material outside of the organisation – If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified <p>* Report any specific limitation regarding the Aspect Boundary outside the organisation</p>	Our responsibility for sustainable development	●	9–10
G4-22	<p>Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements. Restatements may result from:</p> <ul style="list-style-type: none"> – Mergers or acquisitions – Change of base years or periods – Nature of business – Measurement methods 	About our Responsibility Report	●	132
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	Materiality analysis	●	13

Stakeholder engagement

G4-24	Provide a list of stakeholder groups engaged by the organisation	Stakeholder engagement	●	11–12
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	Materiality analysis	●	11–12
G4-26	* Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Stakeholder engagement	●	11–13
G4-27	<p>* Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting</p> <p>* Report the stakeholder groups that raised each of the key topics and concerns</p>	Stakeholder engagement	●	11–13

Report profile

G4-28	Reporting period (such as fiscal or calendar year) for information provided	About our Responsibility Report	●	132
G4-29	Date of most recent previous report (if any)	About our Responsibility Report	●	132
G4-30	Reporting cycle (such as annual, biennial)	About our Responsibility Report	●	132
G4-31	Provide the contact point for questions regarding the report or its contents	About our Responsibility Report	●	132
G4-32	<p>Report the 'in accordance' option the organisation has chosen</p> <p>Report the GRI Content Index for the chosen option</p> <p>Report the reference to the External Assurance Report, if the report has been externally assured</p>	About our Responsibility Report	●	
G4-33	<p>Report the organisation's policy and current practice with regard to seeking external assurance</p> <p>Report the relationship between the organisation and the assurance providers.</p>	Audit Report and Review Report in respect of the Annual Accounts, Review Report in respect of the Sustainability Report, Corporate Governance Report	●	91, 130

Governance

G4-34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Corporate Governance Report	●	81, 82, 83–87
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Ethics and integrity

G4-56	Describe the organisation's values, principles, standards and norms of behavior such as codes of conduct, codes of ethics)	Ethics and anti-corruption	●	50
Comment: 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.				

Specific standard disclosures

● Reviewed ● Audited

Environmental impact

Sustainability area/Aspect

Environmental improvements in the supply chain (no. 3)

DMA	Sustainability management disclosure of initiatives to mitigate the operations' environmental impact	Environmental improvements in the supply chain	●	40–43
EN27	Initiatives to reduce the environmental impacts of products and services, e.g. packaging	Environmental improvements in the supply chain	●	41
Company-specific key performance indicators	Carbon dioxide emissions from packaging	Environmental improvements in the supply chain	●	41
Company-specific key performance indicators	Percentage organic sales by volume (%)	Environmental improvements in the supply chain	●	42–43

Sustainability area/Aspect

Climate impact (no. 4)

DMA	Sustainability management disclosure of initiatives to mitigate the operations' environmental impact	Climate impact	●	41–42, 45–47
Company-specific key performance indicators	Carbon dioxide emissions, including packaging emissions	Climate impact	●	46
EN15	Carbon dioxide emissions calculated in accordance with the Green House Gas Protocol, Scope 1, Own vehicles and Teaching Centre heating	Climate impact	●	46–47
EN16	Carbon dioxide emissions calculated in accordance with the Green House Gas Protocol, Scope 2, Electricity consumption, own operations	Climate impact	●	46–47

Social impact

Sustainability area/Aspect

Limit the harmful effects of alcohol (no. 1)

Society

DMA	Sustainability management disclosure of initiatives to limit the operations' social impact	Limit the harmful effects of alcohol	●	22–29
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Limit the harmful effects of alcohol	●	22–23, 25–26, 30, 31

Company-specific key performance indicators	Alcohol Index (Change society's attitudes to alcohol consumption)	Limit the harmful effects of alcohol	●	28
Company-specific key performance indicators	Opinion Index (Measures Swedes' attitudes to Systembolaget)	Limit the harmful effects of alcohol	●	26–27
Company-specific key performance indicators	Customer Satisfaction Index – social component (Information about the harmful effects of alcohol)	Limit the harmful effects of alcohol	●	27
Company-specific key performance indicators	Proof of age checks (Ensure that alcohol is not sold to minors)	Limit the harmful effects of alcohol	●	28–29
Labelling of Products & Services/Monitoring customer satisfaction				
DMA	Sustainability management disclosure of routines to monitor customer satisfaction	Limit the harmful effects of alcohol	●	28
Company-specific key performance indicators	Customer Satisfaction Index (monitoring customer satisfaction)	Limit the harmful effects of alcohol	●	27
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Limit the harmful effects of alcohol	●	27–28
Sustainability area/Aspect Good working conditions in the supply chain (no. 2)				
DMA	Sustainability management disclosure with regard to working conditions and compliance with human rights in the supply chain	Good working conditions in the supply chain	●	32–37, 39
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Good working conditions in the supply chain	●	35–37
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Good working conditions in the supply chain	●	35–37
Company-specific key performance indicators	Percentage of suppliers who have confirmed the Code of Conduct electronically	Good working conditions in the supply chain	●	35
Sustainability area/Aspect Ethics and Anti-corruption (no. 5)				
DMA	Sustainability management disclosure on risk assessment procedures in ethics and anti-corruption	Ethics and anti-corruption	●	49–51
SO5	Confirmed incidents of corruption and actions taken	Ethics and anti-corruption	●	52
Sustainability area/Aspect Skills (no. 6)				
DMA	Sustainability management disclosure on how we develop ourselves and our skills	Sustainable performance environments	●	54–60
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Sustainable performance environments	●	60
LA11	Percentage of employees receiving regular performance and career development reviews	Sustainable performance environments	●	

LA11	Percentage of employees receiving regular performance and career development reviews Aspect boundary: 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.	Sustainable performance environments	●	56–57
Company-specific key performance indicators	Performance culture	Sustainable performance environments	●	57–58
Company-specific key performance indicators	Total sick leave, per cent	Sustainable performance environments	●	58
Sustainability area/Aspect Inclusiveness (no. 7)				
DMA	Sustainability management disclosure with regard to diversity	Inclusiveness	●	63–67
LA12	Composition of governance bodies and breakdown of employees per employee category, according to gender, age group, minority group membership, and other indicators of diversity Aspect boundary: the Swedish Data Protection Act (PUL) is scheduled to be tightened up and in the light of the minor changes that occurred in this aspect, no mapping of foreign backgrounds was carried out in 2016. We will be investigating the import of the stricter PUL requirement in 2017 and will endeavour to recommence mapping work in 2017.	Inclusiveness	●	65–67

G4-10

Number of employees, 2016

Refers to all employees, as of 31 December 2016

	NUMBER															Permanent employees					
	All employees			Permanent employees			Fixed term employees			Full-time employees			Part-time employees			Full-time employees			Part-time employees		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sales personnel	1,609	2,903	4,512	1,340	2,498	3,838	269	405	674	267	263	530	1,342	2,640	3,982	254	255	509	1,086	2,243	3,329
SA North*	947	1,464	2,411	797	1,277	2,074	150	187	337	147	126	273	800	1,338	2,138	142	122	264	655	1,155	1,810
SA South*	662	1,439	2,101	543	1,221	1,764	119	218	337	120	137	257	542	1,302	1,844	112	133	245	431	1,088	1,519
Store Managers	193	263	456	193	263	456	0	0	0	193	261	454	0	2	2	193	261	454	0	2	2
SA North*	106	114	220	106	114	220	0	0	0	106	112	218	0	2	2	106	112	218	0	2	2
SA South*	87	149	236	87	149	236	0	0	0	87	149	236	0	0	0	87	149	236	0	0	0
Janitors	2	17	19	2	15	17	0	2	2	0	0	0	2	17	19	0	0	0	2	15	17
SA North*	1	7	8	1	6	7	0	1	1	0	0	0	1	7	8	0	0	0	1	6	7
SA South*	1	10	11	1	9	10	0	1	1	0	0	0	1	10	11	0	0	0	1	9	10
HQ, Managers	36	52	88	36	52	88	0	0	0	36	52	88	0	0	0	36	52	88	0	0	0
HQ, employees	157	229	386	154	219	373	3	10	13	152	213	365	5	16	21	150	206	356	4	13	17
Contract personnel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Systembolaget, total	1,997	3,464	5,461	1,725	3,047	4,772	272	417	689	648	789	1,437	1,349	2,675	4,024	633	774	1,407	1,092	2,273	3,365
IQ	2	5	7	2	4	6	0	1	1	2	4	6	0	1	1	2	3	5	0	1	1
Total	1,999	3,469	5,468	1,727	3,051	4,778	272	418	690	650	793	1,443	1,349	2,676	4,025	635	777	1,412	1,092	2,274	3,366

	PER CENT															Permanent employees					
	All employees			Permanent employees			Fixed term employees			Full-time employees			Part-time employees			Full-time employees			Part-time employees		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Sales personnel	36%	64%		35%	65%	85%	40%	60%	15%	50%	50%	12%	34%	66%	88%	50%	50%	13%	33%	67%	87%
SA North*	39%	61%		38%	62%	86%	45%	55%	14%	54%	46%	11%	37%	63%	89%	54%	46%	13%	36%	64%	87%
SA South*	32%	68%		31%	69%	84%	35%	65%	16%	47%	53%	12%	29%	71%	88%	46%	54%	14%	28%	72%	86%
Store Managers	42%	58%		42%	58%	100%	0%	0%	0%	43%	57%	100%	0%	100%	0%	43%	57%	100%	0%	100%	0%
SA North*	48%	52%		48%	52%	100%	0%	0%	0%	49%	51%	99%	0%	100%	1%	49%	51%	99%	0%	100%	1%
SA South*	37%	63%		37%	63%	100%	0%	0%	0%	37%	63%	100%	0%	0%	0%	37%	63%	100%	0%	0%	0%
Janitors	11%	89%		12%	88%	89%	0%	100%	11%	0%	0%	0%	11%	89%	100%	0%	0%	0%	12%	88%	100%
SA North*	13%	88%		14%	86%	88%	0%	100%	13%	0%	0%	0%	13%	88%	100%	0%	0%	0%	14%	86%	100%
SA South*	9%	91%		10%	90%	91%	0%	100%	9%	0%	0%	0%	9%	91%	100%	0%	0%	0%	10%	90%	100%
HQ, Managers	41%	59%		41%	59%	100%	0%	0%	0%	41%	59%	100%	0%	0%	0%	41%	59%	100%	0%	0%	0%
HQ, employees	41%	59%		41%	59%	97%	23%	77%	3%	42%	58%	95%	24%	76%	5%	42%	58%	95%	24%	76%	5%
Contract personnel	0%	0%		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Systembolaget, total	37%	63%		36%	64%	87%	39%	61%	13%	45%	55%	26%	34%	66%	74%	45%	55%	29%	32%	68%	71%
IQ	29%	71%		33%	67%	86%	0%	100%	14%	33%	67%	86%	0%	100%	14%	40%	60%	83%	0%	100%	17%
Total	37%	63%		36%	64%	87%	39%	61%	13%	45%	55%	26%	34%	66%	74%	45%	55%	30%	32%	68%	70%

*Sales Area

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.

Our seven most important areas of responsibility

Systembolaget exists to limit the harmful effects of alcohol. Our entire business is structured for optimum success in this respect, but there are other areas of responsibility in our day-to-day work. See below to find out why they are important to us, how we address them, and the results of our work.





Limit the harmful effects of alcohol

Limit the harmful effects of alcohol

Alcohol is not like other products. It can cause harm to individuals, to their nearest and dearest, and to society at large¹. Which is why Systembolaget is not like other companies. We exist to limit the harmful effects of alcohol.

Our responsibility

Why is this important to us?

The more alcohol people drink in a society, the greater the problems in the form of accidents, violence and disease. The social problems in society affect not just those who drink but those around them as well – such as all of the children who grow up in families where one or both parents drink to excess¹. The goal of the Swedish alcohol policy is, therefore, to reduce alcohol consumption across society in order to minimize both the medical and the social harm caused by alcohol.

Research has shown that two of the best ways of reducing alcohol consumption are high prices and limiting the availability of alcohol^{32 42 43}. If alcohol were to be sold in ordinary food shops, for example, we would drink more and the harm caused would increase dramatically – researchers have calculated that there would be approximately 20,000 more cases of violence reported to the police every year¹.

This is the background to Systembolaget's clear social mandate: we must sell alcoholic beverages responsibly, offer a top quality service, and provide information on the harmful effects of alcohol.

Strategies

Working on being better

Systembolaget's monopoly has a socio-political objective, namely limiting the availability of alcohol. Our mandate comes from our owner, the Swedish State, and is primarily governed by [the Swedish Alcohol Act](#), the EU's legislative regulations, Systembolaget's agreement with the State, and our Owner's Directive. These regulations state, amongst other things, that we may not favour domestic products, that we must provide a high standard of service for our customers, and that we must inform the general public of the risks associated with alcohol consumption.

Systembolaget shall be run in a cost-effective and commercial way without attempting in any way to maximise our profits. This means that we do not operate like other companies. We do not advertise in a way that attempts to boost sales and we do not try to persuade people to buy more than they had initially intended. We fulfil our responsibility to provide high quality service by offering knowledgeable personnel, expert advice, a wide range of products, and extensive opportunities to order products in. Our information provision mandate is fulfilled in a variety of ways, including the communication campaigns of our subsidiary company, IQ, and our involvement in alcohol research.

Systembolaget decides on the number of stores we operate and sets opening hours within the framework of our agreement with the State. We also ensure that alcoholic drinks are not sold to anyone under the age of 20, who is visibly intoxicated, or whom we suspect will resell the products.

Alcohol consumption in Sweden

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

Alcohol consumption fell in 2015, year on year, by approximately 1 per cent from 9.3 litres to 9.2 litres (calculated as 100 per cent pure alcohol) per head of population aged 15 and above. The difference was primarily due to a small reduction in the amount imported by travellers. Registered consumption also fell slightly⁴⁵.

Total alcohol consumption fell by 11 per cent between 2005 and 2015. 78 per cent of the alcohol consumed in 2015 came from registered sales, with Systembolaget accounting for 62 per cent of this total, restaurants for 11 per cent, and medium-strength alcohol beer from stores for 5 per cent of the total. The remaining 22 per cent of consumption came from unregistered sales, with imports by travellers accounting for 13 per cent of the total, smuggled alcohol for 6 per cent, home-brewed alcohol for 2 per cent, and online purchases for 1 per cent⁴⁵.

Wine is the type of alcohol most commonly consumed by Swedes nowadays, accounting for 41 per cent of the alcohol consumed in 2015. Strong beer accounted for 30 per cent of the total, spirits for 22 per cent, medium-strength beer for 5 per cent and cider for 2 per cent⁴⁵.

The results of the 2016 Monitor Survey are scheduled for publication in May 2017.

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

Research

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

The Alcohol Research Council

Systembolaget's independent Alcohol Research Council, which finances or partially finances a range of scientific studies every year, is an important part of this work. The financing is available for socio-scientific, public health, and medical alcohol research, with priority given to research that is of particular importance to preventative work aimed at alcohol-induced harm.

The Alcohol Research Council is currently financing 31 separate studies that you can read about here. Systembolaget has boosted the Alcohol Research Council's resources and expertise in the following ways in 2016:

- Systembolaget's Board of Directors has decided to increase its Alcohol Research Council subsidy from SEK 7 million to SEK 10 million, corresponding to an increase of SEK 7 million over the next two years.
- The Alcohol Research Council's ranks have been boosted in the form of researchers from other countries.

Financing university chairs

Systembolaget partially finances a chair in clinical alcohol research at the University of Lund. The chair is currently held by Hanne Tønnessen. A travel grant for young researchers is linked to the chair.

WHO Collaboration Center

The WHO Collaboration Center for the implementation of health promotion, which is partially financed by Systembolaget, opened in Lund in 2016. There are approximately 700 such centres worldwide, and the Lund one is tasked with developing, collating, disseminating, and implementing knowledge of health promotion work at regional, national and global levels. The WHO Collaboration Center is a partnership between the World Health Organisation, the Swedish Ministry of Health and Social Affairs, the University of Lund, and the Skåne Regional Council. The Center's work focuses on alcohol, tobacco, drugs, nutrition, physical activity, and co-morbidities.

Targeted research programmes

Systembolaget has financed two studies in 2016. The first of these is entitled *What part do boxed wines play in the increase in wine consumption in Sweden?* and is investigating the ways in which boxed wines have affected alcohol consumption in Sweden. The study, which was launched in 2015, has been conducted by researchers at the Karolinska Institute in Stockholm, and their findings will be presented in 2017.

The second study, entitled *What are the public health and safety benefits of the Swedish government alcohol monopoly?*, is being conducted by an international group of researchers and their findings will be presented in 2017. The aim is to investigate the effects of a retail monopoly on sales of alcoholic drinks on public health. Similar studies have been carried out before, but this one is based on more recent underlying data.

Systembolaget's Achievement prize

In 2016, Systembolaget instituted an Achievement prize to reward leading researchers who have contributed new know-how in the field of alcohol research. The prize of SEK 100,000 is designed to encourage research and enhance the opportunities for communication on the subject of alcohol research. The first recipient of the prize was [Mats Berglund](#), Professor Emeritus at the University of Lund, who has increased awareness of the risks associated with alcohol consumption, problem scenarios and progressions in connection with both health and social function, in both clinical work and society at large.

Alcohol research seminars

Systembolaget organises [open and free of charge seminars](#) on a variety of themes throughout Sweden every year. The aim is to disseminate knowledge of alcohol research across society. In 2016, we held five seminars on the following four themes:

- Exercise, sports, and alcohol. The seminar highlighted research into the effects of alcohol on sports and exercise, how to identify sustainable motivation for exercise, and what happens in your body when you drink alcohol³⁴.
- Alcohol and cancer. The seminar addressed research into the links between alcohol and cancer, and issues of how to disseminate knowledge of alcohol and cancer amongst the general public³⁵.
- How are we affected by other people's drinking? As part of a seminar on the second-hand effects of alcohol, Systembolaget highlighted the issue of the effects of alcohol on our nearest and dearest and on society as a whole³⁶.
- Alcohol and stress. The seminar addressed what happens in the body when we use alcohol as a means of winding down³⁷.

Drinking styles vary worldwide

Europe is the region with the highest per capita consumption of alcohol, and also the region where alcohol-related problems are greatest. In 2012, the 53 member states of the Regional Office for Europe of the World Health Organisation adopted a new European framework for public health in Europe, entitled Health 2020. In 2013, the member states agreed on the following six goals⁴⁶:

1. Reducing premature death in Europe.
2. Increasing the expected lifespan in Europe.
3. Reducing health inequality in Europe.
4. Increasing the wellbeing of the European population.
5. Working towards public health insurance.
6. Establishing national goals that are adopted by the member states.

Almedal week seminar

Systembolaget held a seminar on the theme of Drinking styles vary worldwide to discuss the role of alcohol in Europe and topical alcohol policy issues. During the seminar, experts from Finland and the UK, amongst others, gave accounts of the situation in their respective countries, focusing on issues such as distance selling and minimum pricing for alcohol. Sweden's Minister of Public Health also took part in the seminar and highlighted the importance of marketing as an issue in future alcohol policy.

Systembolaget is keen to accept the challenge both of improving the way in which we communicate research findings to our stakeholders, and of methodically progressing these results internally in order to enable their use in the context of our other efforts to reduce the harmful effects of alcohol.

Informed and reduced alcohol consumption

Every interaction with a customer gives Systembolaget the opportunity to inspire more informed consumption through our range of alcohol-free products and products with a low alcohol content. We endeavour to provide a range of the highest quality and are continuously working to develop our range. We also work to increase awareness of the options we offer through our customer interactions, product range, and communication.

Alcohol and exercise

In 2015, Systembolaget conducted a pilot study with the aim of better understanding how Systembolaget can raise awareness of the harmful effects of alcohol. The study showed that the vast majority of people, irrespective of their actual knowledge level, believe that they know most of what there is to know about the harmful effects of alcohol. The study also revealed a number of occasions and life situations when people are more willing to learn about alcohol, for example when starting a family, taking their driving test, or in conjunction with exercise. In 2016, therefore, Systembolaget began communicating the effects of alcohol on exercise – an area that also enables us to reach out to a great many young people. The communication programme has included both films and research seminars, and will continue in 2017.

Countering 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 life³. This is why our countering illicit resupply campaign is so important. Walpurgis Night, Midsummer, and the final day of the school year are all examples of the sort of high days and holidays when many young people make their alcohol debut⁴. At the same time, we know that 64 per cent of those teenagers who drink would not try to get hold of alcohol if they couldn't get it via a friend or family member⁴⁹. 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 continued our countering illicit resupply campaign in 2016, when our communication specifically targeted older siblings by means of films and partnerships with high profile siblings.

IQ inspirers

IQ inspirers is the name given to those individuals who inspire, under the auspices of Systembolaget's partnership with our subsidiary company, IQ. There were 7 IQ inspirers across Sweden in 2016, working to identify local projects and initiatives that promote a smarter approach to alcohol. These inspirers hold different positions within Systembolaget and spend a number of their working hours working with issues on behalf of IQ. They act as an important contact interface between Systembolaget and local civil society, and spotlight interesting examples of success in this field throughout Sweden.

The Teenage Phrasebook

The longer young people wait before starting to drink, the less the risk of them developing problems with alcohol later in life³. That is the reason for the Teenage Phrasebook, a book published every year by Systembolaget's subsidiary company, IQ. The book aims to make it easier for parents to talk about alcohol with their teenagers and contains facts and figures, advice, and tips to help parents set boundaries that lead to the postponement of young people's alcohol debut.

In 2016, a copy of the book was sent to the home address of everyone who is the legal guardian of a child born in 2002, just in time for Walpurgis Night. The book's content, which is available in both Swedish and English, is also available at tonarsparloren.se.

The Teenage Phrasebook is a popular tool amongst parents and, in addition, amongst those working with locally-based preventative measures. In 2016, for example, IQ expanded its partnership with municipal and regional **ANDT**-coordinators (ANDT is the Government's Council on alcohol, narcotics, doping and tobacco issues) by providing them with, amongst other things, information and presentation material based on the Teenage Phrasebook.

“Fotboll utan fylla”

IQ, working in partnership with the Stockholm prevents alcohol and drug problems (STAD) research unit and the Swedish premier league football clubs based in Stockholm, AIK, Djurgården and Hammarby, launched a campaign called “Fotboll utan fylla” [Sober football]³⁸. The aim is to reduce the levels of drunkenness in football grounds by reducing the number of people who are severely intoxicated and thereby generate a better atmosphere and experience in conjunction with football matches.

“Bästa Festen”

“Bästa Festen” [Best Party] is the name of a partnership between IQ and the Swedish National Union of Students. The aim of the partnership is to help create a student lifestyle where alcohol may be present but is not the focal point. Students are generally heavy consumers of alcohol and it is important that students who do not drink feel equally welcome at the social activities that form part of the student lifestyle. Lessons learned, tips and good examples from the two years that the project has been running have been compiled into a method manual that was launched in the autumn of 2016³⁹. The method manual is a tool for use by student unions and societies interested in working towards the establishment of a smarter alcohol culture in student life.

Activities and results

Systembolaget measures and follows up on a number of key ratios in relation to our objective of limiting the harmful effects of alcohol. We are aware that Systembolaget's efforts and programmes are just one of many factors that influence the results of the indices we monitor. Collectively, the key ratios provide us with a good indication of how well we have succeeded in terms of our mandate which stipulates maintaining a retail monopoly and selling alcoholic drinks responsibly while providing a high standard of service and informing people about the risks associated with alcohol.

Key ratio #1: 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](#). The Opinion Index 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 TNS Sifo to conduct the survey. A total of 750 randomly selected individuals aged between 15 and 74 are interviewed every month, with the exception of July (when no interviews are conducted) and August (when 1,500 interviews are conducted). The Opinion Index is reported quarterly.

Opinion Index (OPI)	2016	2015	2014
%	76	77	74

The OPI for 2016 was 76 per cent (77%), corresponding to a fall of one percentage point from the record high achieved last year, and the OPI consequently failed to achieve its goal for 2016, which was 77 per cent. The result shows that, as before, support for the monopoly is higher amongst women than men in the higher age categories. The decline also shows the need to explain why limiting the availability of alcohol helps improve public health.

Key ratio #2: Customer Satisfaction Index – CSI

The way in which we treat our customers has a massive influence on their perceptions of Systembolaget and hence on the way they regard both us and our mandate. Satisfied customers are consequently incredibly important if we are to limit the harmful effects of alcohol in the long term.

We conduct a [Customer Satisfaction Index](#) survey three times a year in all of our stores in order to measure levels of customer satisfaction. A total of just over 33,000 interviews are conducted annually in partnership with an external, independent company ([CFI Group](#)). The interviews reveal what is important to our customers and how well we are living up to their expectations. The stores receive the results at store level and continue their work within relevant areas for improvement. Two of the key factors in achieving a high index figure are proactivity and customer interaction, and we are working hard to increase accessibility in our stores and ensure that we have the necessary expertise available when our customers need help. The CSI index values range between 10 and 100, and the CSI value for 2016 was 84, which is slightly below the target figure of 85. The results show that customer satisfaction levels continue to be high, but that there is scope for improvement. Customers continue to rate their experience of employees in the stores highly, but their rating for the product range has fallen slightly during the year.

The result for CSI Society, which combines the subsidiary questions that relate to Systembolaget representing good values and to Systembolaget playing an important role in society, was 81, which exceeds the target figure for 2016 of 79. The customers' responses generate a value for our social responsibility.

Customer Satisfaction Index (CSI)	2016	2015	2014
	84	84	83

CSI Society	2016	2015	2014
	81	81	78

Continued focus on impressing the customers

For the fourth year in succession, Systembolaget has been named the Best Service Company and the Best Retail Company. Our high standard of service and changes in the world at large mean that our customers have high expectations of us and what we do and we have consequently focused on developing our customer interaction, with the support of management, during the year by:

- Developing our management to handle the high expectations and demands of the outside world and our customers
- Developing our customer interaction with young adults
- Continuing to develop our proactive customer interaction
- Focusing on developing our customer interaction in all channels

Key ratio #3: Alcohol Index

Swedes' attitudes to alcohol are an important issue for Systembolaget, showing us how well our information work is proceeding. The Alcohol Index is a strategically important key ratio and gives a combined measurement of people's attitudes to alcohol in different situations. The Alcohol Index is generated from responses to nine questions asking what people see as right or wrong when it comes to alcohol. The questions are posed on a yearly basis to 2,000 people aged 16+. Our subsidiary company, IQ, is behind both the Alcohol Index and the report produced, and commissions Novus to collect the data. A higher index value indicates a more moderate attitude to alcohol. The Alcohol Index for 2016 has fallen, year on year, and is now 63. This negative trend is primarily driven by a more permissive attitude towards alcohol in the 45-59 age group. Last year's Alcohol Index showed that young people were driving the overall trend towards a more moderate attitude to alcohol and this trend has continued this year too. The attitude towards alcohol has, however, become more permissive in the 25-35 age group.

Alcohol Index	2016	2015	2014
	63	65	65

In 2015, IQ produced its first ever Everyday Index, which investigates the public's attitudes to everyday drinking and forms part of the Alcohol Index. The responses showed a more permissive attitude than that shown in the responses to the Alcohol Index questions, which primarily relate to attitudes to intoxication in different situations.

Key ratio #4: Proof of age checks

Confidence in Systembolaget is largely based on us living up to the Swedish Alcohol Act's rules governing the sale of alcohol: we shall not sell to anyone under the age of 20, or who is visibly intoxicated, or whom we suspect will illicitly resell the products. People under the age of 20 are not, therefore, allowed to buy alcohol at Systembolaget, despite the official drinking age in Sweden being 18. There are a number of reasons why this is the case:

- The age at which illicit resale of alcohol occurs would probably fall if the age limit were lower, due to older girlfriends/boyfriends, friends and siblings being a common way for teenagers to get hold of alcohol³³.
- A young person's brain is not fully developed and is, therefore, more sensitive to alcohol.
- Restaurants have personnel who are, under the provisions of the Swedish Alcohol Act, responsible for ensuring that visibly intoxicated people are not served. The same checks do not exist for alcohol purchased at Systembolaget and a higher age limit is consequently required.

To ensure that we comply with our selling rule which states that no one under the age of 20 may buy alcoholic drinks, we commission an independent company to carry out a number of control purchases every year. The control purchases are carried out by people aged between 20 and 24, because Systembolaget's personnel are instructed to ask for proof of age if they believe a customer is less than 25 years of age. Around 5,800 control purchases were conducted in stores in 2016, with a further 600 conducted in conjunction with purchases from agents. Proof of age checks are carried out daily and are followed up on a weekly, monthly, and quarterly basis. This year's results of 96 per cent approved test purchases is still high and is in line with the target figure for 2016.

Proof of age checks	2016	2015	2014
%	96	96	97



Article: Europe drinks twice as much

We Europeans drink twice as much alcohol as the rest of the world – an average of 1.6 glasses of wine every day. So how much do you think we drink in Sweden?

It's easy to believe that everyone drinks. But six out of every ten people on this planet don't actually drink a single drop of alcohol. But 3.3 million people still die from diseases and injuries related to alcohol worldwide. Every year.

More men die

Alcohol increases the risk of traffic accidents, violence, accidents in workplaces, various types of infectious disease, cardiovascular diseases, gastrointestinal diseases, and various forms of cancer. A frightening 7.6 per cent of all men who die, worldwide, die due to alcohol. The corresponding figure for women is 4 per cent. And here in Europe, we drink more than anyone else. In the light of these facts and figures, it is easy to see why Systembolaget's most important mandate is to limit the harmful effects of alcohol.

A monopoly makes a difference

Systembolaget works to limit the harmful effects of alcohol in a variety of different ways. The actual monopoly, that is the fact that it is only at Systembolaget that you, the consumer, can buy alcohol, makes a big difference. This is clear from, amongst other things, the fact that alcohol consumption levels in Sweden are lower than in the majority of other European countries without an alcohol retail monopoly.

Focusing on research

Systembolaget works with research and information campaigns to increase people's understanding and awareness of the harmful effects of alcohol. Here are a few examples of our work:

- **Alcohol and health.** In 2016, Systembolaget held four open seminars on the subject of second-hand drinking and on the effects of alcohol on stress, cancer and exercise.
- **“Bästa Festen”.** A partnership between Systembolaget's subsidiary company, IQ, and the Swedish National Union of Students. The aim of the project is to generate a student lifestyle that can include alcohol, but where it is not the focus.
- **New research centre in Lund.** A WHO Collaboration Center for the implementation of health promotion opened in Lund in 2016. The centre is partially financed by Systembolaget and will act as a knowledge hub for everyone working with the treatment of alcohol-related harm.
- **Boxed wine – are they a good thing?** Boxed wines are popular at Systembolaget, but are they making Swedes drink more? A study investigating how boxed wines affect the amount of alcohol we drink was launched in 2016, and the results will be presented in 2017.

So how much do we drink, then?

These measures – and a great many more – are having an effect. According to the latest Monitor survey, alcohol consumption in Sweden is estimated at 9.2 litres per annum, calculated as pure alcohol, per head of population aged 15 and above – which is well below the European average of almost 11 litres.

Alcohol consumption in Sweden has also fallen by approximately 11 per cent over the past decade. This is good news, but public health problems related to alcohol in Sweden are still estimated to cost SEK 66 billion per year⁴⁴. And it's not just those who drink who suffer: it's their families, friends and colleagues too. Which is why, year after year, Systembolaget continues to support alcohol research and to communicate how alcohol affects us, our families, and Sweden as a whole.



Good working conditions in
the supply chain

Good working conditions in the supply chain

The products on Systembolaget's shelves come from almost 100 different countries. A great many people work to produce and deliver the drinks we sell – and we want them all to have good working conditions.

Our responsibility

Why is this important to us?

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

Systembolaget's operations shall support and respect international declarations of human rights. We also have a responsibility to ensure that human rights, including the rights of the child, are respected within the supply chain, and we work systematically to influence and monitor developments in this area. Our efforts to ensure good working conditions in the supply chain are not just an important part of our responsibilities – they are also a way for us to make a real difference.

Strategies

Working on being better

Systembolaget has an external Code of Conduct that has formed part of the general purchasing agreements between Systembolaget and every single one of our suppliers since 2012. The terms of these agreements oblige our suppliers to comply with the Code's requirements. Compliance with the Code entails the principle that every supplier is responsible for the working conditions of their respective subcontractors – throughout the supply chain. Systembolaget takes a systematic approach to ensure compliance with these requirements, including third party audits, field trips, and dialogues and collaboration with our suppliers.

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

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

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

Our Code of Conduct, and the associated monitoring system, were devised by BSCI (the Business Social Compliance Initiative). In 2014, BSCI produced an updated Code of Conduct with stricter requirements. One significant difference between the old Code and the updated one involves the clarification and development of the supplier's responsibility for ensuring compliance with the Code back up the supply chain, that is by their subcontractors. This is a big step and takes us closer to the people working at the far end of our supply chain – the people who often have the greatest need for fair working conditions. Another difference between the old Code and the new one is that suppliers are obliged to carry out *due diligence* – a risk analysis of their producers.

2016 was the first year in which we conducted audits based exclusively on the updated version of our Code of Conduct, and some of the work has, therefore, entailed ensuring that our suppliers are fully familiar with the new requirements as they apply to them, for example by ensuring they submit electronic confirmations stating that they have read and accepted the updated Code of Conduct. We have also increased the number of audits conducted.

The importance of traceability all the way out to farm level has also been clearly stressed. These supply chains are often very complex – a single wine can have numerous different subcontractors, and their identity can, furthermore, vary throughout the year. Maintaining a good overview of the entire supply chain at all times is consequently a challenging prospect.

Activities and results

Compliance with our Code of Conduct

So how do we ensure compliance with our Code of Conduct? This was a question that came to the fore in 2016 when Systembolaget was the subject of an investigation as part of SVT's "Uppdrag granskning" TV programme, which showed that working conditions at a couple of our South African producers were incompatible with our Code of Conduct.

We take this sort of thing very seriously indeed. It shows us that we must improve both our [incident management](#) and our supply chain reviews, so we have further intensified our efforts to ensure good working conditions in the supply chain.

More audits

Our follow-up work is largely based on the audits we carry out on site at the producers. The producers are selected for auditing on a systematic basis and the results of the audits are one of our most important key ratios. In 2015, we were in the midst of the transition phase between our old Code of Conduct and the new one, and carried out 24 audits. In 2016, we conducted just over 100 audits, 55 of which were third party audits, with the remainder comprising in-house follow-up inspections once the updated Code was in place. We are planning 200 third party audits and follow-up inspections, some of which will be unannounced, in order to further quality assure the insight we gain into the operations.

New audit selection model

The increase in the number of audits conducted by Systembolaget is linked to a new audit selection model that we developed in 2015. Previously, our audit selection process had been based on best-selling products produced in “at risk” countries. Our new selection model works differently:

- We start by mapping our entire fixed range, which comprises approximately 2,500 products and accounts for around 95 per cent of Systembolaget’s net sales. The aim is to see how many of the products are produced in “at risk” countries. In 2016, 590 of the products in our fixed range matched this criterion.
- We then map these 590 products’ main producers and their subcontractors, that is farms, and ask whether any other audits and certification processes have been carried out. We then use this data to produce either a qualitative or quantitative sustainability assessment.
- We then, on the basis of the above assessments, conduct on site audits and the producers and farms for the products where we believe there is an increased risk of deficiencies in production conditions.

2016 was the first year in which we worked exclusively with this selection model, which will also form the basis for our future audits.

On-site follow-up inspections by Systembolaget personnel

In 2016, we quality assured the data we received by means of complementary on-site, follow-up inspections conducted by Systembolaget’s own personnel, thereby enhancing our risk assessment work.

E-training for suppliers

In 2016, we produced an electronic training course for all of our suppliers. The aim of the course is to clarify what we require of our suppliers by raising their awareness of BSCI’s Code of Conduct and of the requirements for its implementation. The course was launched to all suppliers in the spring of 2017.

When producers fail to live up to our requirements

It is relatively common to discover one or more deviations on the part of producers undergoing their first audit.

Systembolaget’s follow-up process works as follows:

- Once the audit report has been published by the third party auditor, we call our Swedish supplier to a follow-up meeting at which the deviations identified in the audit report are discussed.
- The producer is tasked, via our Swedish supplier, with drawing up an action plan within 60 days. Systembolaget then conducts an ongoing dialogue with our Swedish supplier and provides support in the form of expertise and information to ensure that the action plan has been addressed.
- A new audit is then carried out, no later than one year after the initial audit.

Our goal is to help bring about improvement, and we consequently only terminate a business relationship if the improvement work is failing to yield results or if a producer refuses to undergo our audits. In 2016, two producers refused to undergo an audit and Systembolaget consequently terminated the purchasing agreements in question.

Incident management

Systembolaget sometimes receives reports of unacceptable conditions at producers who are not in the midst of an audit process. These are referred to as incidents. Systembolaget follows up on reported incidents, wherever they occur, and has established an incident management process to handle any incidents reported and which is conducted in close dialogue with our Swedish supplier. In 2016, we addressed the issue of improving the way in which we identify incidents, even in countries that we classify as safe, without losing our focus on those countries classified as “at risk countries”. This is an ongoing programme and will continue in 2017.

Plans for the future

Our efforts to ensure good working conditions in the supply chain will continue. Examples of the measures we have planned for 2017 include investigating new basic requirements for acceptance as a supplier. We are also establishing a position that will primarily focus on those suppliers who supply products from “at risk countries” to our fixed range and suppliers who supply other products from “at risk countries” in order to improve our follow-up inspection process.

Key ratio #1: Electronic confirmation of the Code of Conduct

In 2014, the Business Social Compliance Initiative (BSCI) produced an updated Code of Conduct with stricter requirements in relation to working conditions. One of our goals, since 2015, has been to collect electronic confirmations from all active drinks suppliers. The confirmation shows that they have familiarised themselves with and support the updated Code of Conduct. This key ratio allows us to measure the percentage of suppliers, both existing and new ones, who have confirmed the Code of Conduct.

Drinks suppliers who have confirmed the Code	2016	2015
Percentage, %	96.1	99.5

The lower figure for 2016 is due, partly, to the fact that we have a pool of prospective suppliers who either will or will not have products in our range, depending on when we set the cut-off point – that is the date when we produce the list of all of our active suppliers. There are many such prospective suppliers this year, and reaching out to them is more difficult than with existing suppliers. The other reason for the lower figure is that around 70 suppliers who had confirmed the Code are no longer on the list of active suppliers. New suppliers confirm the Code in accordance with an updated form that was drawn up in the autumn of 2015, and which has been used to confirm the Code by all new suppliers in 2016.

Key ratio #2: Audit results

We use this key ratio to measure the results of the audits and to compare the results of the original audit with those of the repeat audit, one year later. This shows us whether the producers have improved their working conditions and are working continuously to ensure human rights in their supply chain.

We carried out 55 third party audits in accordance with BSCI 2.0 during the year, 8 of which were repeat audits from 2015.

We have also carried out 29 incident investigations, which involve a third party auditor conducting targeted audits that focus on information received with regard to alleged discrepancies from Systembolaget’s Code of Conduct. We will audit 20 of these incidents in 2017.

We have also personally visited 20 producers in order to enhance our risk assessment work.

Based on the BSCI 1.0 Code of Conduct	2015	
Number of suppliers subject to impact assessment for labor practices and subject to human rights impact assessments	11	
Number of suppliers identified as having significant actual and potential negative human rights impacts	0	
Number of suppliers with a less critical negative impact on human rights	2	
Number of significant actual and potential negative human rights impacts identified in the supply chain	0	
Number of less critical negative deviations from human rights identified in the supply chain	3	
Number of suppliers identified as having significant actual and potential negative impacts for labor practices	6	
Number of suppliers with a less critical negative impact on working conditions	6	
Number of significant actual and potential negative impacts for labor practices identified in the supply chain	21	
Number of less critical negative deviations identified with regard to working conditions in the supply chain	50	
Based on the BSCI 2.0 Code of Conduct	2016	2015
Number of suppliers subject to impact assessments for labour practices and subject to human rights impact assessments	55	12
Number of suppliers identified as having significant actual and potential negative human rights impacts	10	7
Number of suppliers with a less critical negative impact on human rights	21	12
Number of significant actual and potential negative human rights impacts identified in the supply chain	16	11
Number of less critical negative deviations from human rights identified in the supply chain	50.5	29.5
Number of suppliers identified as having significant actual and potential negative impacts for labour practices	49	10
Number of suppliers with a less critical negative impact on working conditions	52	12
Number of significant actual and potential negative impacts for labour practices identified in the supply chain	200	35.5
Number of less critical negative deviations identified with regard to working conditions in the supply chain	599	143

We use the term, percentage of suppliers evaluated, to refer to producers and subcontractors. They may be farmers who grow grapes for suppliers of juices, among others. Last year, we use the term to refer exclusively to suppliers.

The number of audits has increased in 2016, and the number of deviations per audit conducted is, therefore, adjudged to be normal, in that many of the producer audits comprised first audits. The percentage of deviations is consequently not comparable with the figure for 2015.

The critical issues that we identified in our supply chain in 2016 included: discrimination, for example a lack of policies and routines to ensure that personal are not discriminated against, pay issues, such as inadequate payroll lists and a consequent inability to verify that minimum wages are, at a minimum, being paid, or whether any illegal wage deductions are being made, working hours, such as inadequate payroll lists and a consequent inability to verify whether staff have at least one day off a week and are given contractual break periods, and OHS (Occupational Health & Safety) issues, such as inadequate installations of firefighting equipment. The largest number of significant deviations in 2016 were identified in the areas of human rights and discrimination. The most common deviations in the area of labour practices involved working hours and pay. We will carry out a number of repeat audits in 2017 of the producers who failed to live up to the Code of Conduct requirements.

Repeat audits conducted in 2016 with regard to the 2015 audit results showed that two suppliers have failed to implement the necessary improvement measures.

Most producers, when audits reveal significant or less critical deviations from the Code of Conduct, are willing to cooperate and work actively to implement the measures needed to rectify the deviations identified. Systembolaget has, however, imposed temporary sanctions on one producer in 2016, and delisted another. One of the producers refused to undergo an audit, while the other failed to submit information for the risk assessment process. We follow the recommendations drawn up by BSCI and it is important to stress that terminating a partnership is very much the last option, in that it does not really result in any improvement for the workers. When significant deviations are discovered we are, as BSCI members, expected to take greater active responsibility and to ensure that these deviations are rectified.

Key ratio #3: Ethical range

Our third key ratio in this area measures the number of ethically labelled products in our fixed range.

We want to make it easy for our customers to choose products that contribute to better working conditions, and do so by labelling ethical products in our stores. We are also working to increase the number of ethically labelled items in the fixed range. The goal for 2016 was to increase the number of ethically labelled products in the range to at least 40, but the number we actually offered was 31. The goal was not reached due to the fact that the number of new launches was unable to balance out the number of items removed from the range due to low sales figures. Our goal for 2018 is to have over 50 ethically labelled items.

Ethical range	2016	2015	2014
Number of items	31	29	33

We use the term, number of items, to refer to items in the fixed range.

Easy to make an ethical choice

One way of improving working conditions in the supply chain is to invest in ethical products. Systembolaget currently offers wines from two different ethical certification programmes, namely [Fairtrade](#) and [Fair for Life Social & Fair Trade](#) (Fair for Life).

The common denominator for these labelling programmes is that they help ensure fair trade and guarantee a premium that helps increase the economic and social security of the people working in the vineyards, among others. We have opted to work with both certification programmes due to, amongst other things, the fact that Fair for Life operates certification in more countries than Fairtrade.

25 per cent of all Fairtrade-labelled wine produced worldwide in 2015 was sold at Systembolaget. The ethically labelled products sold at Systembolaget in 2015 generated over SEK 5 million that was returned to the vineyard workers.



Article: Systembolaget sells 25% of the world's Fairtrade wine

Systembolaget sold one quarter of all the Fairtrade-labelled wine produced in the world in 2015. ONE QUARTER! And behind the scenes, Systembolaget is working, day in, day out, to ensure good working conditions throughout the supply chain. This is how we do it.

A great many people worldwide work to produce and deliver the drinks that Systembolaget sells. And ensuring that these people enjoy good working conditions is one of our most important areas of responsibility.

Substantial interest in ethical products

Our customers' interest in ethical products, for example, meant that 25 per cent of all Fairtrade-labelled wine worldwide was sold at Systembolaget in 2015. And the ethical products sold at Systembolaget generated over SEK 5 million that was returned to the vineyard workers.

Who picks the grapes?

These figures are obviously good news, but working to ensure good working conditions in the supply chain is about much more than selling ethically-labelled wine, for example. And the challenge we face is not an insignificant one.

"The biggest challenge in ensuring good working conditions is, without doubt, the complexity of our supply chain. We have over 700 active drinks suppliers who have, in turn, numerous different subcontractors and partners. Which makes finding out where a particular component of a bottle of wine was originally produced and who actually picked the grapes, for example, a very complex process," says Tommy Nykvist, who is the Sustainability Director of Systembolaget's purchasing department. Tommy emphasises that we have made some progress, but that much still remains to be done.

Global responsibility

So how do you take global responsibility for good working conditions? The agreements between Systembolaget and all of our suppliers of alcoholic drinks include Systembolaget's Code of Conduct. The Code is based on international agreements, such as the UN's Declaration of Human Rights and the International Labour Organisation's conventions on human rights in working life.

“Our general purchasing terms and conditions oblige our suppliers of alcoholic drinks to comply with these requirements on working conditions and human rights,” says Tommy Nykvist.

Increasing the number of audits

Systembolaget does not rest on its laurels when a supplier of alcoholic drinks undertakes to comply with the rights mandated in the agreement. We also carry out audits all over the world every year in order to check that they are also complying with the demands imposed by Systembolaget.

“In 2016, we carried out just over 100 audits, and next year, Systembolaget will be doubling that figure. Most of the audits are carried out by external auditors, but we have also started carrying out our own audits during the past year. This enables us to ensure that the information we receive from the audits and suppliers is accurate,” says Tommy Nykvist.

Who do we audit?

We have drawn up a model for selecting which producers to audit in order, as far as possible, to ensure that Systembolaget is auditing the right places. This is how it works:

1. We start by mapping our entire fixed range and seeing how many products are produced in “at risk countries”. In 2016, 590 products matched this criterion.
2. The 590 products are then individually reviewed by Systembolaget, after which we assess every single product on the basis of, amongst other things, our “at risk country” analysis, our knowledge of the region, and other factors relevant to the product in question (for example if it has undergone a generally accepted sustainability certification process).
3. We then audit the producers of the products where there is, in our opinion, an elevated risk of deficiencies in the production conditions.

“At risk countries” increasingly important

Our efforts to ensure good working conditions in the supply chain are now being further intensified, as will become clear in 2017.

“Our goal in 2017 is to carry out 200 audits, and we will also be improving the way we follow-up on suppliers by appointing a person who will primarily be working with those of our suppliers who sell products from “at risk countries” and which sell in large volumes, that is products in our fixed range,” says Tommy Nykvist.



Environmental improvements in the supply chain

Systembolaget's operations are global and our supply chain is extensive. The majority of our over 700 active drinks suppliers have subcontractors and they, in turn, often have subcontractors of their own. Our indirect climate and environmental impact – from vineyards amongst others, drinks production, transportation and packaging – is, therefore, substantial. Which is why we are also working hard to bring about environmental improvements in the supply chain.

Our responsibility

Why is this important to us?

Our customers expect us to take responsibility for reducing our environmental impact throughout the value chain and think that it is important that we do so, for example by reducing the climate impact of our packaging and transports. There is also an increasingly large group of consumers who are interested in sustainable consumption and in making active, sustainable choices. Interest in organic products is also increasing every year.

Strategies

Working on being better

Reducing the environmental impact of our value chain is a challenge that affects the entire industry and, here at Systembolaget, we focus on the areas where we can make the biggest difference. Involving our customers and every value chain operator in our sustainability work is a high priority issue in our strategic plan for 2017-2020, and we are currently working on, amongst other things, drawing up new environmental goals.

Our environmental work has focused on two defined areas in recent years. The first is climate-friendly packaging, because packaging is the single biggest climate impact factor in our value chain. The other is on meeting customers' growing demand for organic products.

We have taken a number of steps over the past year with the aim of furthering our understanding of environmental issues and our climate impact in different parts of the value chain, and have also intensified our dialogue with the industry.

Mapping the climate impact of transport

We carried out a pilot study during the year in order to find out more about the climate impact of transporting drinks and other materials to and from our operations. We elected in this study to focus on transports within Sweden and the pilot study has, in brief:

- Mapped the transport of drinks from our suppliers to the stores, agents, and home deliveries
- Mapped the transport of other materials and waste to and from our stores
- Performed climate and energy calculations for these flows
- Refined our calculation models in dialogue with the drinks distributors

The results of the calculations show that the combined climate emissions within these distribution flows is around 20,000 tonnes of carbon dioxide equivalents per year. The majority of these emissions (around 99 per cent) come from the drinks transports, with only a small fraction coming from transports of other materials and waste to and from our operations.

The vast majority of the transports are procured by our drinks suppliers and not by Systembolaget. The natural next step for us is to increase the dialogue with both suppliers and distributors in order to collectively identify potential methods of reducing the climate impact of these transports.

Study of the environment impact of our products

The *Environmental impacts of alcoholic beverages study* conducted by Systembolaget in collaboration with the Nordic alcohol retail monopolies – Vinmonopolet (Norway), Alko (Finland) and Vínbúdin (Iceland) was completed in 2016. The aim of the study was to reveal the environmental and climate impact of different products so that our future work in this area is based on a thorough body of data.

Partnerships for increased learning

Systembolaget has an ongoing partnership with SIWI (the Stockholm International Water Initiative) and SIDA that aims to impose requirements on our suppliers' environmental work. In 2016, we completed a mapping of environmental certification programmes in cooperation with a number of grocery retail chains and have decided to test two certification programmes, namely Global G.A.P. and Social Accountability International (SAI), with producers in South Africa. The plan now is to conduct pilot projects with e-training for a producer in 2017. Part of this work involves investigating whether we could impose requirements on our suppliers' environmental work in accordance with either of these certification programmes, starting in 2018.

Activities and results

CO₂ emissions (tonnes) from packaging

Our packagings' lifecycle, from manufacturing and transport to scrapping or recycling, accounts for a substantial percentage of Systembolaget's climate impact. This key ratio is used to evaluate our efforts to promote more climate-friendly packaging.

Total CO ₂ emissions (tonnes) from packaging	2016	2015	2014
Packaging	166,658	162,083	160,179
Decrease/increase in tonnes of CO ₂ e	+4,575	+1,904	

Emissions from our drinks packagings have increased by 4,575 tonnes of CO₂e. The increase in the past year was largely due to the increase in sales. One contributory factor may also have been the steep increase in the volume of sales of sparkling wines noted during the year in that the bottle weight of sparkling drinks is, on average, substantially greater than that of still drinks. And the higher the weight, the greater the climate impact.

Measures to reduce packaging-related emissions

Packaging accounts for a substantial percentage of Systembolaget's total climate impact and we have launched a range of initiatives in recent years aimed at persuading the industry to shift to more climate-friendly types of packaging. We have focused most heavily on glass bottles because single-use glass bottles have by far the biggest climate impact. A switch to lighter weight bottles would yield considerable reductions in emissions in the production stage of the chain, and would also reduce emissions in the transport stage. If all still wine was sold in lighter weight glass bottles, carbon dioxide emissions would fall by between 7,000 and 10,000 tonnes of carbon dioxide equivalents per year. One of the strategies we have examined is reducing the weight of glass bottles by introducing a fee-based model for high bottle weights. We have not, as yet, implemented this model and are now examining other ways of progressing the issue. See below for details of our work in this area of the past year:

- On 18 October, in partnership with the Swedish Brewers' Association and the Swedish Spirits and Wine Suppliers' Association, invited all of the industry's CEOs to a full day discussion on the theme of business and the environment. The day offered inspiration from speakers from the industry and elsewhere, and a workshop addressing the ways in which we can collectively work with environmental and climate issues. A broad working group has since been formed, comprising industry representatives, and which acts as a forum in which experience and know-how can be exchanged, and the members can investigate whether there are common metrics and tools that could provide our suppliers with concrete assistance in their work with environmental issues.
- We have communicated the importance of lighter weight bottles and other climate-friendly types of packaging to our in-store consumers. To make it easier for our customers to choose climate-friendly options, we label lighter weight bottles, PET bottles, and recyclable bottles on our shelves and at systembolaget.se.
- We have also continued our internal programme of climate studies and have incorporated the area into our management training programme. Climate issues were one of the focus areas at our management meeting (held every other year) for all store managers.

Organic products – sales share and range

Our efforts to reduce Systembolaget's environmental impact in the supply chain also include our efforts to meet the massive customer demand for organic drinks. We have two key ratios for organic products: one for the percentage of total sales for which organic products account, and one for the percentage of our range that comprises organic products. Together, they reveal our efforts to offer organic alternatives and our customers' interest in these alternatives.

Interest in organic products continues to grow in Sweden as a whole and at Systembolaget. Six years ago, we set a goal that 10 per cent of our sales by volume would comprise organic items by 2020. We have already achieved this goal. We are very pleased by this trend and will continue to help everyone who wants to buy or produce organic drinks.

Percentage of sales – organic products	2016	2015	2014
Volume as a % of total sales	11.6	9.3	5.6
Organic range	2016	2015	2014
Number of items	373	289	202

We use the term, items, to refer to items in the fixed range.

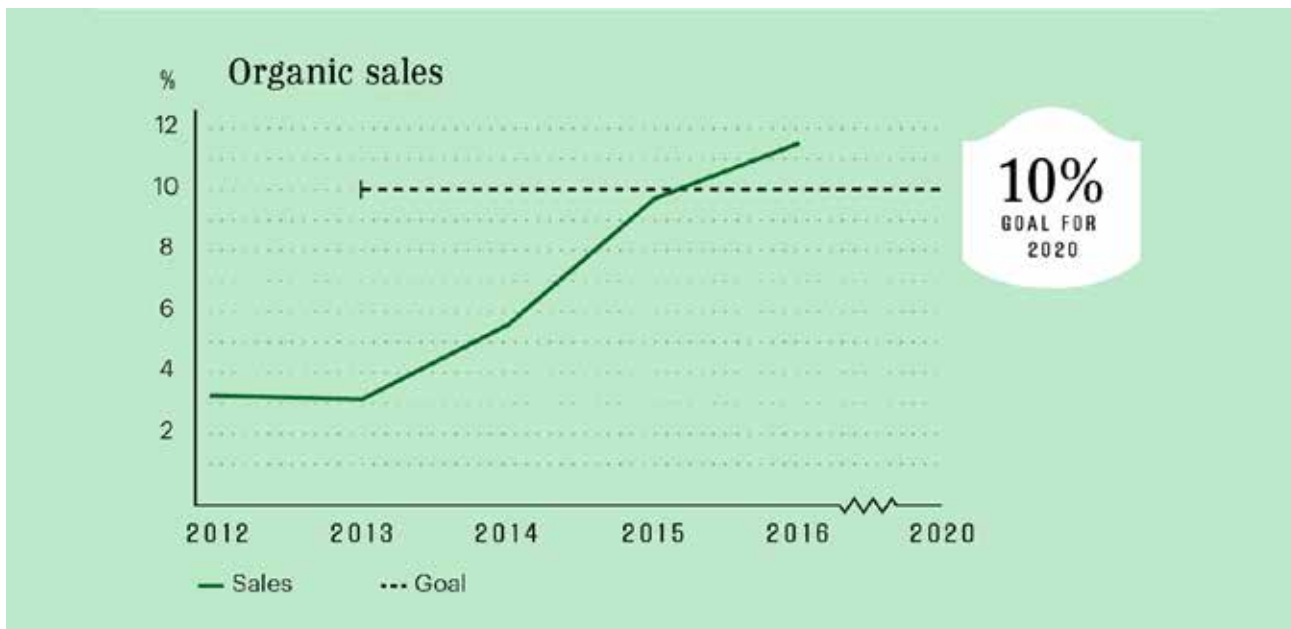
We also monitor other results in this area, including the development of customer trends and how well our organic products-related communication reaches our customers.

Our work with organic products

Switching over to organic cultivation is not something that producers can do “just like that” – it takes several years to switch from conventional cultivation to organic cultivation⁴⁰.

We have extended our evaluation period for organic drinks in order to offer producers greater security in the transition phase and, in the long term, build a good range of organic products. All of our drinks were, in the past, guaranteed six months on our shelves. We now guarantee twelve months for organic products and nine months for conventionally produced ones.

Systembolaget clearly labels organic products, both in-store and at systembolaget.se. We have also run information campaigns in-store and on the systembolaget.se website.



Article: Everyone loves organic!

Six years ago, Systembolaget set a goal that 10 per cent of sales by volume would comprise organic products by 2020. Last year, we achieved this goal – four years ahead of schedule. And demand for organic products is showing no signs of tapering off.

A responsible business must show consideration for the environment – it's that simple. Systembolaget is no exception, and we are keen to be at the forefront of this work and to accept our responsibility. But it isn't always that easy. Systembolaget's operations are global and our supply chain is complex.

Three supplier levels

The majority of our 700 or so active drinks suppliers have subcontractors and they, in turn, often have subcontractors of their own. Our indirect environmental impact is consequently substantial, both at a global, regional and local level. We must focus our efforts where they can make the greatest difference. We do this in a number of different ways, and one of them is our sales of organic products. We cannot, however, take all the credit for the increase in sales of organic products – that honour goes to our customers who actually make the purchases.

Customers smash the organic goal

Six years ago, Systembolaget set a goal that 10 per cent of sales would comprise organic products by 2020. Back in 2011, organic wines accounted for 3 per cent of sales. Sales have grown at a lightning pace since then, and in 2016, we achieved our goal – four years ahead of schedule. We have also worked hard, in parallel with this growth in sales, to expand our range of organic products, and in just five years, we have doubled the number of organic products in our range.



Climate impact

Climate issues are the biggest challenge faced by Systembolaget, and reducing both our direct and indirect climate impact is an important goal for us. Which is why we measure our carbon dioxide equivalent emissions, both internally and in various parts of our supply chain.

Our responsibility

Why is this important to us?

Our entire supply chain, from cultivation, through production and packaging, to the point where the products stand on the shelves in Systembolaget's stores, has a substantial climate impact. The climate impact of our in-house operations is smaller, but it's still important that we focus on it. Working continuously to reduce our total climate impact is a given for us.

Strategies

Working on being better

Systembolaget's ambition is to reduce emissions that impact our climate throughout our value chain. Our environmental survey in 2011 revealed that packaging accounts for approximately one third of our climate impact, making it the single biggest contributory factor in the overall picture. And a recent environmental study, Environmental impacts of alcoholic beverages, confirmed that packaging is our biggest climate-related challenge. But packaging is also an area in which we can exert a positive and quantifiable influence, which is why much of our climate-related work revolves specifically around packaging.

Transport emissions are another significant climate challenge within our value chain. In 2016, we deepened our knowledge of the climate impact of the transportation of drinks and other materials and developed the way we calculate it.

Within our own operations, we monitor both energy efficiency and our absolute operational climate impact, and in the autumn of 2016, we began work on energy mapping in our stores in line with the new Swedish Energy Mapping in Large Enterprises Act (EKL) (2014:266). We expect to complete this work in the spring of 2017. We also monitor the climate impact of our business travel and climate compensate for the emissions generated thereby.

Activities and results

Carbon dioxide equivalent emissions (tonnes)

The carbon dioxide equivalent emissions key ratio (which is measured in tonnes) now includes emissions from packagings, and from business travel and energy consumption.

Carbon dioxide emissions per activity	2016	2015	2014
Packaging	166,658	162,083	160,179
Electricity consumption	3,677	3,496	3,376
Business travel	1,727	1,646	1,589
Total CO ₂ e, tonnes	172,062	167,225	165,144
Reduction/increase in CO ₂ e (tonnes) from previous year	+4,837	+2,081	
Reduction/increase in CO ₂ e (tonnes) from the base year	+6,918		

The emissions included in our climate goals increased by a total of 4,837 tonnes of carbon dioxide equivalents in 2016, 4,575 tonnes of which was due to emissions from our drinks packaging. This year's increase in emissions from our packaging can largely be attributed to the increase in sales. The marked increase in sales of sparkling wines during the year may also be a contributory factor. The average bottle weight of sparkling drinks is higher than that of still drinks, and the higher the weight, the greater the climate impact.

Emissions from our operations' electricity consumption increased in 2015 by 181 tonnes of carbon dioxide equivalents. One of the reasons for the increase was the growth in the total floor-space of our stores. If we look at it in terms of kilowatt hours (kWh) per m², however, we achieved some reduction in 2016 from levels in 2015. Emissions from our business travel increased by 81 tonnes of carbon dioxide equivalents, largely due to the fact that the flight-based travel category increased by approximately 20 per cent in comparison with 2015. The number of domestic trips made has also increased, year-on-year.

Our activities within the climate impact sphere are conducted within the framework of our efforts to reduce the environmental impact of our supply chain. [Find out more here.](#)

Carbon dioxide emissions reported in accordance with the GHG protocol, EN15 and EN16

The EN15 indicator applies to the area of the GHG protocol referred to as Scope 1, while EN16 comes under Scope 2. Scope 1 shows estimated direct carbon dioxide emissions from the operations, for example from cars leased by the company. Scope 2 calculates indirect carbon dioxide emissions from the operations' electricity and heat consumption, while Scope 3 comprises all other indirect emissions and the GHG protocol states that reporting these other indirect emissions is optional. The main areas that Systembolaget is currently able to measure within Scope 3 comprise indirect emissions from drinks packagings and emissions from business travel. 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	2016	2015	2014
Scope 1 ystembolaget's own vehicles and heating of the Learning Centre	285	302	320
Scope 2 ¹ Electricity consumption, own operations	6,655	7,574	7,672
Scope 3 Other, incl. packagings	168,255	163,444	161,466
Total CO₂e (tonnes)	174,957	171,320	169,458

¹If our electricity consumption for 2016 were to be calculated in accordance with the method referred to in the GHG protocol as "location based", which is based on IEA (2016), our carbon dioxide emissions from energy consumption would, instead, total 3,760 tonnes carbon dioxide equivalents.

The year-on-year decrease in Scope 2 totals are due to the fact that the district heating factor has fallen from 172.5 kWh/m² to 128.67 kWh/m².

Greenhouse gas emissions in 2016	GWP	greenhouse gases/yr (tonnes)	CO ₂ e/yr (tonnes)
Carbon dioxide, CO ₂	1	4,710	4,710
Methane, CH ₄	25	0.0329	0.822
Nitrous oxide, N ₂ O	298	0.0288	8.59
Carbon dioxide equivalents, CO ₂ e	1	170,475	170,475
Total			175,195

Greenhouse gas emissions in 2015	GWP	greenhouse gases/yr (tonnes)	CO ₂ e/yr (tonnes)
Carbon dioxide, CO ₂	1	4,694	4,694
Methane, CH ₄	25	0.0203	0.507
Nitrous oxide, N ₂ O	298	0.0399	11.9
Carbon dioxide equivalents, CO ₂ e	1	166,614	166,614
Total			171,320

Greenhouse gas emissions in 2014	GWP	greenhouse gases/yr (tonnes)	CO ₂ e/yr (tonnes)
Carbon dioxide, CO ₂	1	4,523	4,523
Methane, CH ₄	25	0.0207	0.517
Nitrous oxide, N ₂ O	298	0.0381	11.4
Carbon dioxide equivalents, CO ₂ e	1	164,923	164,923
Total			169,458



Article: Time to put our bottles on a diet!

Systembolaget sells just over 81 million bottles of wine per year. That's a lot of wine – and even more glass. Which is why, working in partnership with our suppliers, we are switching to lighter glass bottles.

Climate impact is one of Systembolaget's seven areas of responsibility, and our climate impact work involves everything from increased recycling to using more energy-efficient lighting in our stores. But our own operations only account for 2 per cent of our total climate impact.

A clear challenge

If we are to make a real difference, we must look beyond Systembolaget's internal operations. And that's a huge challenge. One third of Systembolaget's indirect global climate impact comes from a single factor – packaging. And the biggest climate impact of all comes from the manufacture of heavy glass bottles. Which is why we want to reduce the amount of glass in our bottles. And we're approaching this from a variety of angles:

- **Active collaboration.** We work hand in hand with our suppliers on identifying the easiest possible way for them to switch to lighter glass bottles. Our ambition is for all of our suppliers to switch to this alternative, which would mean savings both for them and for the environment. And there are no downsides – the quality and taste of the wine remains exactly the same as in a heavier bottle.
- **Customer communication.** We label the more climate-friendly bottles, which include lighter glass bottles, in our stores, making it easier for our customers to make informed, climate-friendly choices.
- **Light bottles.** 20 per cent of all wine is currently sold in lighter glass bottles. If that figure was 100 per cent, the saving in emissions would be around 10,000 tonnes of carbon dioxide. Which equates to driving approximately 1,500 times around the world.



Ethics and anti-corruption

Ethics and anti-corruption

As a State-owned company, Systembolaget has a special responsibility to maintain high ethical standards. Anti-corruption is an important part of this work and something we take extremely seriously. We operate within a clear ethical framework and conduct a systematic and long-term programme work aimed at preventing corruption. The work covers both our own operations and those of our supply chain.

Our responsibility

Why is this important to us?

As a State-owned retail monopoly, Systembolaget is obliged to act in a way that is compatible with EU law regulations governing State-owned retail monopolies. This means, for example, that Systembolaget must respect the principle of non-discrimination. In brief, this means that in conjunction both with the purchase and sale of alcoholic drinks, Systembolaget must apply objective and transparent rules in an impartial and brand-neutral way.

Transparency – Systembolaget’s general purchasing terms for the purchase of alcoholic drinks are the same for all suppliers, are public, and are amended in line with previously determined norms.

Objectivity – Systembolaget’s range model, which determines the items that make up Systembolaget’s product range, is an example of this.

Brand-neutrality – the tender tasting procedures carried out by Systembolaget in conjunction with the purchase of alcoholic drinks are a good example of brand-neutrality, in that they are conducted completely blind. The people carrying out the testing have, in other words, no idea which product is contained in which glass.

Strategies

Working on being better

Systembolaget works continuously with and has an overall plan for maintaining a high ethical standard and countering corruption throughout its value chain. We work to counter regulatory breaches by means of established risk assessment procedures and have zero tolerance for bribery and other forms of corruption. We do not accept any form of direct or indirect attempts to exert an improper influence on our employees, either by suppliers or partners.

Our ambition, if a regulatory breach nonetheless occurs, is to make reporting it as simple and secure as possible, and to conduct a programme of incident management work that focuses on consequences and change.

Examples of how we work to prevent corruption:

Internal Code of Conduct

In 2015, we drew up an internal Code of Conduct for our employees as part of our anti-corruption work. The Code of Conduct brings together the majority of the internal regulations and policies that we apply in a single, easily accessible document. It includes rules governing corruption and impropriety, inclusion, and conduct in social media. In the autumn of 2016, the new internal Code of Conduct was established within the company in the form of an e-training course that will be obligatory for all new recruits, as of 2017. All managers must also complete the training every other year to ensure that the Code of Conduct remains fresh in their memory.

External Code of Conduct

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

Purchasing and evaluation process

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

[Find out more about Systembolaget's purchasing process here](#)

Continuous information flow

Dialogues and activities addressing ethical and anti-corruption issues shall be a recurring feature of our operations to ensure that the subject remains fresh in every employee's memory. This poses a particular challenge for us during holiday periods and peak seasons, when we need to take on additional employees. We invest considerable resources in ensuring that all new employees receive training on these issues and thereby making certain that the requisite standards are maintained throughout our operations.

Unified reporting

Systembolaget collates reports on suspected improprieties through a number of different channels, such as our whistleblowing system and our ethics advisors. The various reporting channels have, in the past, led to different recipients, but as of 2016, all reports received are forwarded to our Compliance Officer, and who was appointed in 2015. Ensuring that all of the reports are seen by a single person gives us a better overview of the incidents and enables us to detect possible "trends" at an early stage. It also clarifies "ownership" of the issue.

Our Compliance Officer also produces an annual report for submission to the company management as part of our new procedures. Some parts of the report are also passed on to the Board's Audit Committee.

Close partnership between purchasing and compliance

The development of the partnership between purchasing and compliance resulted, in 2016, in purchasing representatives and the Compliance Officer initiating quarterly meetings to discuss specific incidents that breach our rules governing contacts with suppliers. This has resulted in accelerated follow-up processes and has enabled undesirable patterns of purchasing or behaviour to be detected at an early stage.

Ethics advisors

Systembolaget has two ethics advisors in the form of store managers with extensive experience of how we operate at Systembolaget. Employees can turn to these advisors to discuss ethical issues and dilemmas, with a guarantee of anonymity. In 2016, our newly appointed Compliance Officer has begun meeting with the ethics advisors four times a year to discuss concrete, ethical issues arising in the stores and within the company. The discussions focus on the following three categories: customers, brand-neutrality, and internal issues.

Whistleblowing

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

No reports of improprieties were submitted to our whistleblowing system in 2015. Seven reports were, however, received in 2016. We gave the system a more prominent place on our systembolaget.se during the year, in order to promote the system and its accessibility, and translated the introductory text into several languages. We have also complemented the existing online system so that whistleblowers can now submit their report via a voicemail box. The advantages of the so-called voice response solution are:

- **Security** – the reporting is not affected by an operator or any interpreter.
- **Accessibility** – reports can be submitted 24/7, 365 days of the year. The whistleblower does not need to wait for an interpreter.
- **Anonymous dialogue** – the service permits a dialogue with an anonymous whistleblower by means of a code given to the whistleblower at the end of the call.

The whistleblowing system is a huge asset for us, but does entail a problem in that, for purely legal reasons, it can only be used to report senior persons within Systembolaget. We believe that there is a real need for the creation of an equally secure and accessible reporting system further down the line, amongst our subcontractors, and we are continuing to work on this issue.

Ethics dialogues at managerial level

We believe that good ethics work must start with our management, which is why our managers have engaged in ethics dialogues between the management levels for many years now. In 2016, we began developing a new system for reporting the implementation of these dialogues in order to improve the actual reporting, its quantifiability, and the follow-up work. The new system is scheduled to be ready for launch during 2017.

Activities and results

Confirmed incidents of corruption

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

Reported incidents of corruption ¹	2016	2015	2014
Total number of confirmed incidents of corruption ¹	6	7	10
Total number of confirmed incidents where employees were subjected to occupational law-related disciplinary measures due to corruption	6	7	10
Total number of corruption incidents that resulted in the termination of commercial agreements due to breach of contract	0	0	0
Number of legal proceedings resolved in a public court of law or administrative court due to incidents of corruption	0	0	0

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

The number of incidents in 2014 was high in comparison with 2015 and 2016, which was due to the introduction of a new product range by Systembolaget in September 2013 and the introduction of a number of new checks and balances in January 2014.

Our actions in 2016 that were directly linked to the key ratio were as follows:

- When an incident in relation to supplier influence or supporting purchases is deemed sufficiently serious, a special working group may be convened to address the problem. This was the case in the spring of 2016 after an incident had been identified in one of our stores. The working group worked with the store for two months and drew up an action plan with specific measures designed to promote a proactive approach throughout the company.
- In 2016, we implemented programmes designed to ensure that both our employees and our suppliers are familiar with the overall framework of rules that govern Systembolaget's operations. Representatives of the purchasing and compliance departments have attended 25 store manager meetings to talk about the types of contact with suppliers that are permitted and prohibited for store employees. We have also improved the clarity with which we communicate the rules that apply to our suppliers, via our supplier portal.
- In the autumn of 2016, all of Systembolaget's managers – just over 550 of them – were asked to complete an anti-corruption survey with the aim of improving processes and the training we provide in future. The results of the survey were presented to the company management, at which time suggestions were made on potential focus areas for Systembolaget's ongoing anti-corruption work.
- We have begun working more systematically and proactively with analyses of suspect product orders, such as when the number of times that a single store orders a particular product is unusually high. This allows us to respond quickly if an undesirable pattern emerges. The first analysis conducted using this new methodology was completed in November.



Article: How we counter corruption

Getting a product onto Systembolaget’s shelves can be highly lucrative. And wherever there’s money involved, there is risk of corruption. Which is why ethics and anti-corruption are two of Systembolaget’s most important areas of responsibility.

Ethics and anti-corruption are important for all companies. And the fact that we are a State-owned company that sells alcohol via a retail monopoly makes this work even more important.

“BribeGate” must never happen again

Everything from the products that Systembolaget buys in to the way in which they are displayed on the stores’ shelves can play a big part in how many bottles are sold. All of which increases the risk of our employees being exposed to various kinds of pressure, and we work to counteract this in a variety of ways. A bribery scandal of the kind discovered thirteen years ago, during which a number of store managers were prosecuted for bribery offences, must never happen again. We work in a number of different ways to counter corruption and to highlight ethical challenges:

- Systembolaget has a purchasing process in which the same terms are applied to all drinks suppliers – with no exceptions.
- The way products are displayed on the shelves is anything but random. We apply centrally approved display and placement rules that are adhered to by all of our stores.
- Systembolaget also has an external whistleblowing system to enable us to discover and address any improprieties. This system enables both our employees and external parties, such as suppliers, to report serious improprieties anonymously.
- All reports received, by whatever channel, are forwarded to Systembolaget’s Compliance Officer. This ensures a good overview of the incidents reported and makes it easier for us to address any problems at an early stage.

Ethics advisors and other tools

Systembolaget also has two ethics advisors to whom our employees can turn. All of our employees can discuss ethical issues and dilemmas with these advisors, and anonymity is guaranteed. Two ethics dialogues are also held for all managers every year at which a range of different subjects are discussed.



Sustainable performance environments

Our employees' and managers' skills are the key to continuing to impress our customers. Personal and professional development and helping each other succeed are the keys to making Systembolaget a better, more successful company. They also help create impressed customers – something that is, in the long term, vital in terms of our ability to fulfil our mandate.

Our responsibility

Why is this important to us?

Systembolaget is all about people. It is here that the drive to develop and change lies. And this is why we like to talk about sustainable performance environments.

Our sustainable performance environment work is based on an understanding that everyone wants to perform well and a recognition that good results depend on the right preconditions. If this work is to be successful, employees at every level must find their job meaningful, must be healthy, and must take pleasure in their work. Adopting this approach enables managers and other leaders to improve their leadership skills.

Our aim, step by step, is to develop a modern management style that promotes performance and goal fulfilment by helping ensure the optimum preconditions for our employees to do a good job. This is how we enhance employees' commitment to and ability to take responsibility for Systembolaget's mandate and the entire value chain within which Systembolaget operates.

Strategies

Working on being better

The way to ensure impressive interactions with customers is to inspire our employees with the support of good management – to be the best they can be in all of their interactions with colleagues, customers and other stakeholders. Which means that at Systembolaget, management is a profession in itself and a critical factor in the success of Systembolaget as a whole. Our Good Leadership (DGL) strategy is how we develop both our employees and our operations. Managers have a huge responsibility: they build the framework within which our employees' learning and development can take place. Leadership within Systembolaget is based on the core belief that every individual shall be encouraged to maximise their potential to enable them, in turn, to help others maximise their potential. We have accordingly implemented a number of activities during the year with the aim of strengthening and developing our managers and enabling them to take their management and leadership skills to the next level.

- All of Systembolaget's store and group managers have been given the opportunity to conduct a 360-analysis during which they receive feedback from subordinate employees, colleagues on the same managerial level as themselves, and from their superior managers – and have to carry out a self-analysis. Taking the analysis of the results of the leadership evaluations as our starting point, we compiled the content of a leadership development activity conducted on approximately 15 different occasions in 2016 and early 2017 and which includes all store managers and group managers. Similar activities are conducted for other target groups.
- In April 2016, Systembolaget organised a big management meeting that brought together all of our company's managers. The theme of the meeting was the challenges of leadership, based on trends in the outside world – and what it means to take one's management and leadership skills to the next level.
- In parallel with these leadership activities, the area managers held meetings with the store managers working in their areas to review the results of the 360-analyses. Topics discussed during these meetings included strengths, weaknesses, and areas where there is scope for development in the area in question with the help and support of HR.
- We have also made a strategic decision that no manager shall be directly responsible for more than 17 employees. This was done to reduce the workload of those managers with numerous employees. The decision resulted in us increasing the number of geographical areas from 27 to 29 and to the establishment of a new organisational management structure in our stores. Formerly, there was only one store manager per store, irrespective of the size of the store, which put considerable pressure on store managers in the larger stores. The new structure introduces a new role in the stores, namely that of group manager, who reports to the store manager in larger stores. Initial trials have yielded sufficiently good results that the structure has now been made permanent throughout the organisation and will be rolled out as needed in the years ahead.
- We have also, with a view to making life easier for new store managers, begun analysing the need for a more in-depth, more comprehensive introduction to running a store for newly appointed store managers. We have also clarified the Forum Process, which is our managerial talent pool process, and drawn up a company-wide talent programme concept for prospective store managers. The aim is to ensure that employees are thoroughly prepared to fill impending vacancies.

Improved quantifiability

The ability to take informed decisions based on reliable data is an important component of Systembolaget's efforts to establish sustainable performance environments. We have increasingly begun to make use of statistics and in-depth analyses to quantify and analyse our successes and challenges as employers. We are now able, with the aid of a data warehouse, to extract more relevant data linked to the area of sustainable performance environments. This enhances both our know-how and our self-awareness, and can also pave the way for better key ratios and better analyses in the field. One such key ratio – staff turnover – has already been introduced in 2016.

Measures to boost security

Threats and violence are one of the biggest work environment risks for our employees in several of our stores. In 2014, we decided to address this issue in greater depth and in 2015, we trialled two different approaches – training and guidance – in four vulnerable stores. The programmes have been evaluated during the year and the results of the evaluation resulted in us launching a new weekend-long training course for staff in those stores that are experiencing threats and violence. The training includes examples customised for Systembolaget, practical in-store training, and time for reflection. Approximately 45 such weekends have been planned for the period from 2016 to 2017, and we will also be stressing the opportunity to request guidance from the corporate health care system for those stores who need it.

Activities and results

1. Percentage of employees receiving regular performance and career development reviews and follow-ups

Performance reviews are an important part of creating sustainable performance environments, not least because a manager's most important channel to his or her employees is the face-to-face meeting.

FOCUS review in 2016	Yes (number)	%	No (number)	%	Total no. responses ¹
Head office personnel	368	91	37	9	405
Store managers ²	–	–	–	–	**
Store personnel ³	2,946	76	907	24	3,853
Total	3,314	78	944	22	4,258

¹A total of 4,258 employees responded.

²Not reported separately.

³Store managers and Area Managers are also included for 2016.

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

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

FOCUS review in 2015	Yes (number)	%	No (number)	%	Total no. responses ¹
Head office personnel	351	90	39	10	390
Store managers ²	–	–	–	–	–
Store personnel ³	2,935	75	978	25	3,913
Total %					
Total	3,270	76	1,033	24	4,303

¹A total of 4,303 employees responded.

²Not reported separately.

³Store managers and Area Managers are also included for 2015.

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

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

FOCUS review in 2014*	Yes (number)	%	No (number)	%	Total no. responses ¹
Head office personnel	331	84	64	16	395
Store managers ²	–	–	–	–	–
Store personnel ³	2,914	77	890	23	3,804
Total %					
Total	3,246	77	953	23	4,199

¹A total of 4,199 employees responded.

²Not reported separately.

³Store managers and Area Managers are also included for 2014.

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

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

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

In 2015, 76 per cent of Systembolaget's employees stated that they had undergone a performance review during the past 12 months. We have implemented a number of measures in 2016 to boost this number:

- We have engaged in dialogues with the sales management team to emphasise the importance of conducting performance reviews and increase awareness of the fact that these reviews are an incredibly important part of managerial and leadership work.
- We have simplified the performance review templates in order to make it easier to apply them and report in relation to them.

The results of our activities show that a higher percentage of employees (91 per cent) had undergone a FOCUS review with their manager during 2016. This increase was seen at both the head office and in stores.

2. Performance culture

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

Results

Performance culture	2016	2015	2014
	78	77	77

The results of this year's survey show generally high values. All of the values have increased during the year and we are seeing a significant increase since 2014. The "preconditions for performance" profile has remained unchanged, with high values for all preconditions, although the "allowed to" value is slightly lower than the others. This suggests that our workforce feels that preconditions are good, but the slightly lower value for the "allowed to" precondition suggests a strong organisational culture. Which means we need to continue our focus on clarifying our employees' experience of freedom and a mandate in their work.

Measures to strengthen the performance culture

It is incredibly important that our employees feel they have the necessary preconditions to perform well at work and that they feel that their basic requirements as employees are being met. The percentage of Systembolaget employees who are satisfied with their ability to perform is high and continuing to increase. There are, however, still employees who responded with low values for this key ratio, and we are keen to improve their situation. All of our managers are consequently working actively with results dialogues within their working groups. During these dialogues, the participants analyse strengths and areas where improvement is needed, talk about risks, and draw up proposed action plans that will be actively implemented in the year ahead. In 2017, we will build a framework that will enable us to work more systematically with day-to-day improvements and our aim is for all employees to feel that they are part of and have a part to play in our development and improvement, which is one of the important basic requirements that we quantify in our performance environment key ratio.

We conducted an information campaign during the year in response to the new regulation issued by the Swedish Work Environment Authority, entitled "The organisational and social work environment", which came into force on 31 March 2016. The information campaign entailed reviewing the entire regulation and describing what we need to do to meet its requirements. The communication was aimed at all of our organisation's managers. Systembolaget has clearly defined routines and tools for its systematic work environment activities, and much of the work consequently involved emphasising the importance of complying with all existing routines and why we need to do this. We linked existing routines and tools to the requirements.

3. 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, not least because it helps build a broad range of skills within the organisation. 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	2016	2015	2014
%	5.0	5.1	4.7

The total sick leave rate did fall slightly in 2016, but is still relatively high. The primary fall from the high level observed in 2015 occurred in the area of long-term sick leave, but it is still higher than the short-term sick leave rate.

Measures to reduce sick leave rates

The negative sick leave trend that we saw in 2015 has fortunately not continued in 2016. Sick leave rates do, however, continue to be relatively high and this is obviously an issue that Systembolaget is keen to address. We are also seeing a relative over-representation in this area amongst women aged 30 or above. Our store managers are also at a relatively high level in comparison with other management groups within the organisation. We have implemented a number of measures in 2016 in order to get to grips with this problem:

- We carried out a project amongst our store managers with the aim of identifying the underlying causes of the long-term sick leave noted within the group. The project has identified a number of factors that differ between areas with high and low levels of sick leave. The “healthiness factors” identified by the project are leadership, support, and meaningfulness. The “sickness factors” identified are workload (imbalance between demands/control/social support), the complexity of the store manager role, ergonomics, and threats and violence. We are now drawing up an action plan of relevant measures, based on these results.
- We have established a process team tasked with examining ways in which Systembolaget can improve the rehabilitation process in order to reduce the long-term sick leave rate. One initial conclusion drawn is that managers currently perceive initiating the rehabilitation process as being complicated, largely due to the fact that they are unused to doing so. We will, therefore, simplify the templates and checklists for rehabilitation and thereby make it easier for managers and leaders to initiate the process quickly and expeditiously. We are also planning to draw up an online training course on rehabilitation in 2017 to support managers and leaders during the process.
- We have also made a strategic decision that no manager shall be directly responsible for more than 17 employees in order to reduce the workload of managers with numerous employees under them.

We are aware, however, that these measures notwithstanding, the role of a store manager is a tough one, and we will be continuing our efforts to generate better preconditions for all of Systembolaget’s store managers.

4. 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	2016	2015	2014
%	16.6	11.9	8.6

Staff turnover levels have increased sharply in 2016. The highest rate of staff turnover is seen amongst younger sales personnel with low employment rates, but staff turnover levels at head office have also increased from just under 5 per cent to around 10 per cent. The total staff turnover rate amongst sales personnel was just under 20 per cent.

Measures to create a healthy staff turnover rate

Our new analysis methods mean that we can now obtain quality-assured figures for our staff turnover, both as a total and for different groups of employees. The first measurement for this key ratio shows that we have a relatively high staff turnover amongst some groups, such as young men with a foreign background. Systembolaget is keen to ensure a wide range of skills within the organisation, and if some groups have a higher staff turnover rate than others, we risk losing the breadth of our in-house skills. In 2016, therefore, we initiated a more in-depth analysis of the reasons for this staff turnover, and will continue our analytical work in 2017.

5. Training and lifelong learning programmes to support continued employability and assist employees when their employment comes to an end

Systembolaget has a structured and well-established method of working with skill development. All employees shall be covered by a common methodology, from recruitment until the time when they leave the company. We have identified the skills in the respective roles that are key to us achieving our vision and ensure, on the basis thereof, that our employees are offered the individual skill development that they need in order to carry out their day-to-day duties and within the framework of their position. We have a number of tools that our managers are trained to use and which we use in our day-to-day work to ensure that we have the right skills in the right place at the right time. These tools include role profiles for all job descriptions, interview questions in relation to the role during employment interviews, a skills library with descriptions of the various skills that employees must possess, and training activities (both internal and external) that are linked to the development of these various skills. We believe that it is important that our employees take responsibility for their own learning. The manager's role is to lead and coach so that our employees can achieve the maximum possible competence in relation to their role. In cases where an employee leaves Systembolaget at the company's initiative, we can, in some cases, offer them external help in finding a new job, and in cases where employees are given notice of termination due to a lack of work, they are covered by the transition agreement and are hence entitled to support from the Swedish Employment Security Council. The Swedish Employment Security Council works with what is known as transition assistance, which entails the provision of advice, support, and guidance in conjunction with the termination of employment due to lack of work. Those whose employment has been terminated due to lack of work can, in some cases, receive income protection in the form of severance pay (AGE).



Article: Smart data = a better working environment

Systembolaget has begun working with smart data in order to improve the working environment, and we are currently investigating why some groups of employees have a higher staff turnover rate than others.

Here at Systembolaget, we talk about sustainable performance environments. For us, that means a work environment in which our employees feel that the right preconditions exist for them to feel good and do a really good job.

Key to our mandate

This is obviously important to Systembolaget's employees, but it is also important in ensuring that our customers are satisfied and receive the best possible service. And that is, in turn, a precondition of our continued existence and our long-term ability to carry out our mandate – to limit the harmful effects of alcohol.

Smart data for motivated colleagues

A good working environment is, in other words, very important to Systembolaget. We are working continuously to create and improve these sustainable performance environments. And one of the ways we are now doing this is by making use of smart data (statistics and in-depth analysis). It is thanks to this that our HR analysts are able to draw important conclusions about how our work environment affects how we perform.

All skills are important

One of the areas we are looking at is staff turnover-rates, and our smart data means we are now able to analyse the area in a completely new way. The first measurement shows, for example, that we have a relatively high rate of staff turnover amongst certain groups, including young men with a foreign background. Systembolaget is keen to ensure a wide range of skills within the organisation, and if some groups have a higher staff turnover rate than others, we risk losing the breadth of our in-house skills. In 2016, therefore, we initiated a more in-depth analysis of the reasons for this staff turnover. Better understanding means a better chance of improvement.

Good Leadership

Systembolaget's most important tool in creating sustainable performance environments by far is our management and leadership skills. Leadership within Systembolaget is based on the core belief that every individual shall be encouraged to maximise their potential to enable them, in turn, to help others maximise their potential. We have accordingly implemented a number of activities during the year with the aim of strengthening and developing our managers. Here are two examples:

- 360-analysis. All of our managers completed a 360-analysis during which they receive feedback from subordinate employees, colleagues on the same managerial level as themselves, and their superior managers. They also carry out a self-analysis.
- Max 17 employees. We have made a strategic decision that no manager shall have direct responsibility for more than 17 employees. This decision was taken in order to reduce the managers' workload and the initial trials have yielded sufficiently good results that the structure has now been made permanent throughout our organisation.



Inclusiveness

Systembolaget is there for everyone in Sweden, whatever their background, circumstances, or where they live. Which is why it's important that our employees closely reflect society's composition and diversity. Our products and services shall also meet the diverse needs of our customers. We operate a comprehensive programme of inclusiveness work in order to ensure that we meet all of our stakeholders needs in the best way possible.

Our responsibility

Why is this important to us?

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

Inclusiveness is business critical in a number of different ways. We believe, for example, that recognition is an important tool in getting across to people why we exist. Which means that if we reflect society, it becomes easier for us, in the long term, to fulfil our mandate. When there is a lack of recognition – when our employees fail to reflect society, in other words – it reduces our ability to get our message across. And this, in the longer term, makes it harder for us to fulfil our mandate. Diversity in terms of skills and experience amongst our workforce is also important in enabling us to continue interacting professionally with our customers, in terms both of the service we provide and of our offering. It is also important, when it comes to our future talent pool, that we can attract, recruit and develop people with different backgrounds and experiences.

Addressing inclusiveness is one area that our owners have highlighted as of importance for state-owned companies. Our responsibilities in this area are considerable as a result both of our ownership structure and our unique position. Our owners expect a great deal of us, not only in terms of how we address these issues internally, but also how we reach out to our customer base – which is everyone in Sweden.

Being at the forefront of inclusiveness and acting as role models is something we both want to do and must do. We are also, of course, subject to the provisions of the Swedish Discrimination Act which defines discrimination as conduct that violates the employee's integrity and which is associated with their gender, gender identity, ethnicity, sexual orientation, disability, religion or other belief, or age.

Strategies

Working on being better

We are continuing to implement our inclusiveness plan that we established in 2015 and which will run until 2018. The plan has four focus areas: increasing diversity amongst our employees, creating an inclusive climate, integrating the inclusiveness perspective into our shared methodology and routines, and ensuring that all of our customer-orientated activities are inclusive.

We have conducted a number of activities in relation to these focus areas during the year:

- We have worked to raise awareness of inclusiveness within the context of our management training during the year. In order to raise awareness and knowledge of diversity and inclusiveness, we have addressed issues such as how our prejudices affect our decisions and how we can become more inclusive managers. We have also ensured that all of our managers are familiar with our goals, our plan, and the focus areas with which we are working.
- We have also worked with attitude issues at our dialogue meetings aimed at all employees.
- Shared methodology: we are continuing to develop our recruitment process in order to ensure both that we treat everyone equally and that we reach out to new target groups, with the aim of attracting and reaching people with different backgrounds. We have identified a number of activities that we are keen to develop in order to reach new target groups, including reviewing our screening processes, the way we formulate our advertisements, the channels in which we maintain a presence, and the way in which relevant pages on systembolaget.se are formulated.
- Customer-orientated activities: we have also carried out a number of activities designed to develop our product offering and the service we provide. We have held training days for specialists and managers at our head office to improve their understanding of how inclusiveness shall be interwoven into the services and products we develop. We have also mapped our customer offering from an inclusiveness perspective and identified a number of areas in which there is scope for improvement. We have also produced a new brochure about Systembolaget in a range of languages, including Tigrinya and Dari, and developed material about Systembolaget that can be used as training material in SFI (Swedish For Immigrants) courses.

Improving our follow-up abilities

One of the important requirements imposed by discrimination legislation is the ability to follow up on the activities we carry out to ensure they are progressing us towards our goals⁴¹. The ability to take even better informed decisions, based on reliable data, is, therefore, an important component of Systembolaget's inclusiveness work, and we have consequently begun making increasing use of statistics and in-depth analyses in order to improve our ability to quantify and analyse our successes and the challenges we face.

- We have made an addition to our employee survey during the year to ensure that Systembolaget is a good workplace for everyone. The addition addresses working climate in relation to diversity. We have also added a number of background variables to the survey in order to illustrate variations between different groups of employees, for example by gender or age.
- We have also added questions addressing inclusiveness and equal treatment to our surveys of stakeholders outside Systembolaget in order to enable us to monitor where our activities are having an impact.

Measures to increase diversity and accessibility for people with special needs

The requirements for accessibility for people with special needs became stricter in early 2015 and our new inclusiveness plan identified the need to chart what this meant for us. In 2016, we accordingly took a number of steps designed to improve accessibility in our stores and our digital channels, and we will be continuing this work.

- We have reviewed the systembolaget.se website and identified a number of measures we can take to improve accessibility for special needs visitors to the site. We accordingly improved the website's functions that support speech synthesis tools, for example, during the year. We are currently in the process of rebuilding our intranet and have made accessibility a fundamental requirement, as will be the case in future for all development work on digital applications.
- We have also improved accessibility for visitors to our stores who have hearing disabilities. The launch of our new store concept will see an audio induction loop for people with reduced ranges of hearing become standard in all of our stores.
- Systembolaget's employees shall also reflect society when it comes to special needs and we are working to reduce exclusion in this group. To this end, we launched a partnership with the Swedish Public Employment Service in 2016 with the aim of offering work experience places and subsidised employment positions to people with special needs. We have also initiated a partnership with Samhall to use their manpower services to meet our need for janitors.

Activities and results

1. Percentage of employees with foreign backgrounds

Ensuring that our employees closely reflect society's composition and its diversity is one of the important factors in the success of Systembolaget. Systembolaget is there for everyone, and our customers and employees should feel that this is the case.

One of Systembolaget's goals is to increase the number of employees with foreign backgrounds so that they represent the same percentage of our workforce as they do the population makeup of Sweden. We have mapped this key ratio for three years now and little has changed. The provisions of the Swedish Data Protection Act (PUL) will be tightened up and in light of the small changes noted, no mapping was carried out in 2016. We will investigate what the more stringent PUL requirements will mean for us in 2017 and recommence mapping during the year.

Measures to increase ethnic diversity within Systembolaget

Our goal is to increase the number of employees with foreign backgrounds so that they represent the same percentage of our workforce as they do the population makeup of Sweden. We have not got there yet, but the work has become even more important in the light of the increase in asylum-based immigration in 2015 and 2016. This poses a challenge and is a trend that Systembolaget is keen to address. We have consequently implemented a number of measures and activities during the year with a view to increasing the ethnic diversity of our organisation:

- We have established a partnership with the Swedish Public Employment Service and their Sverige Tillsammans/100-klubben [Sweden Together/100-club] initiative which aims to help newly arrived and foreign-born immigrants to enter the labour market. We have begun working at local level by bringing together our store managers and the Swedish Public Employment Service so that we can offer newly arrived immigrants both work experience places and employment in our stores.

We have also initiated a programme in cooperation with three other State-owned companies and "Korta Vägen" [The Shortcut], a labour market training scheme run by Stockholm University in collaboration with the Swedish Public Employment Service. The training is aimed at immigrants to Sweden who have university degrees and working life experience from another country. The aim is to make the most of their skills and to offer a shortcut to the Swedish labour market through work experience places and networking opportunities. Our contribution comprised work experience places and a number of networking meetings with representatives of the various meetings. The partnership was successful and we are now looking at ways to develop it further.

2. Percentage of employees: by gender and age group

We endeavour to ensure we have an even gender balance in our workforce at Systembolaget and to have employees from all age groups.

The results for 2016, with a 63 per cent female/37 per cent male workforce come close to the definition of a gender equal company (60/40) and we are seeing a slow but steady progression towards a more equal workforce composition.

Breakdown, 2016	No. employees	Women, %	Men, %	<30 yrs old, %	30-50 yrs old, %	>50 yrs old, %
Sales personnel	4,512	64	36	37	45	18
Store managers	456	58	42	6	73	20
Janitors	19	89	11	5	11	84
HQ personnel	474	59	41	6	66	28
Total	5,461	63	37	32	49	19

Boundary: we do not map diversity indicators for contract personnel as it is difficult to be anonymous in this role.

Breakdown, 2015	No. employees	Women, %	Men, %	<30 yrs old, %	30-50 yrs old, %	>50 yrs old, %
Sales personnel	4,419	66	34	42	42	16
Store managers	468	56	44	8	76	16
Janitors	22	91	9	9	27	64
HQ personnel	451	60	40	8	70	22
Total	5,360	65	35	36	47	17

Boundary: we do not map diversity indicators for contract personnel as it is difficult to be anonymous in this role.

Breakdown, 2014	No. employees	Women, %	Men, %	<30 yrs old, %	30-50 yrs old, %	>50 yrs old, %
Sales personnel	4,343	66	34	41	41	18
Store managers	460	56	44	7	75	18
Janitors	26	85	15	4	27	69
HQ personnel	405	60	40	6	69	25
Total	5,234	65	35	35	46	19

Boundary: we do not map diversity indicators for contract personnel as it is difficult to be anonymous in this role.

Breakdown, Board of Directors and company management ¹	Women	Men	Total	>30 yrs old	30-50 yrs old	<50 yrs old
2016	12	8	20	–	5	15
2015	11	9	20	–	4	16
2014	10	9	19	–	4	15

¹including the four employee representatives

Measures to create a more equal gender and age breakdown within Systembolaget

- Our measurements in 2015 also enabled us to identify a need to work towards a more equal gender breakdown at management level. Systembolaget currently has an excess of male managers in comparisons with the gender breakdown in the company as a whole. In 2016, we have worked to increase awareness of this and are able to confirm that we are moving in the right direction.
- We also worked to increase levels of awareness amongst Systembolaget's managers in 2016 of our equality goals. We see this as an important step towards increased awareness as part of the recruitment process.
- In 2015, we produced a situation report based on forms of employment and employment levels in relation to our employees. The report shows that the differences between the genders shrank in 2016.



Article: What does Systembolaget have to do with teaching people Swedish?

Educational materials presenting Systembolaget and Swedish alcohol policy will be used in SFI (Swedish For Immigrants) courses throughout Sweden in 2017 as part of Systembolaget's inclusiveness work. If you're wondering why, read on!

Systembolaget is there for everyone in Sweden, whatever their background or circumstances, or where they live. This means that our products and services must meet the diverse needs of our customers. Our responsibilities in this area are considerable as a result both of our ownership structure and our unique position. It's obviously important that we address these issues internally – but it's equally important that we reach out to all of our existing and potential customers.

Tigrinya and Dari

That's why we have revised our brochure about why Systembolaget exists, Swedish alcohol legislation, and our selling rules, and translated it into several languages, including Dari, which is spoken in Afghanistan, and Tigrinya, which is spoken in Eritrea and parts of Ethiopia.

We have also developed material about Systembolaget that is intended for use as educational material in the context of SFI (Swedish For Immigrants) courses. The aim is to teach new immigrants about Systembolaget and about why we exist, while helping them improve their Swedish.

Our employees reflect society

Systembolaget and its employees shall also reflect society with regard to gender, ethnicity, and circumstances among others. We attempt to achieve this in a variety of ways, including:

- **New Swedes:** we have a national partnership with the Swedish Public Employment Service and their "Sverige Tillsammans/100-klubben" [Sweden Together/100-club] initiatives, both of which aim to help new and foreign-born immigrants enter the Swedish labour market. We are also working at local level by bringing together our store managers and the Swedish Public Employment Service so that we can offer newly arrived immigrants both work experience places and employment in our stores.

- We are also working at the head office with the “Korta Vägen” [Shortcut] initiative that focuses on foreign-born graduates.
- More women than men. Systembolaget has more female employees than male ones, but our measurements show that it is easier, relatively speaking, for men to become managers within the company. In 2016, we have worked to increase awareness of this situation and indications show that our efforts are having a positive result.
- People with special needs. We have also initiated a partnership with the Swedish Public Employment Service in 2016, offering work experience places and subsidised employment to people with special needs.

Financial reporting

The operations

The Board of Directors and the President of Systembolaget AB, corporate ID number 556059-9473, hereby present the annual accounts, including the Corporate Governance Report, for the 2016 financial year.

The Company's mandate and objective

Systembolaget AB is a limited company that is wholly owned by the Swedish State and which has a monopoly on retail sales of strong beer, wine and spirituous drinks in Sweden. Alcohol is not like other products. It can cause harm to individuals, to their nearest and dearest, and to society at large. Which is why Systembolaget is not like other companies. We exist to limit the harmful effects of alcohol. Systembolaget's mandate is to sell responsibly via its monopoly, to offer a high quality service, and to provide information on the risks associated with alcohol. Its objective is to help improve public health by limiting the harmful effects of alcohol.

Systembolaget's operations are primarily governed by the Swedish Alcohol Act, Systembolaget's agreement with the State, and the State's ownership policy. Systembolaget is responsible, on the basis of these steering documents, for ensuring that:

- sales are made in a responsible way through clear selling rules and by not encouraging additional sales;
- a high standard of service and expertise on how to make **informed choices** are provided in the context of the customer interaction;
- a broad range of products is offered. Systembolaget shall be strictly brand- and competition-neutral and may not favour any one producer over another.

Systembolaget's operations are based on a clearly defined social mandate and the purpose is hence not to maximise the company's profits. Systembolaget shall, however, operate in a cost-conscious and commercially sound way. Limiting the availability of alcohol by controlling the number of retail outlets and opening hours and maintaining a generally restrictive approach is another important component of countering the harm caused by alcohol. Systembolaget sets opening hours and determines the number of retail outlets on the basis of Parliament's opening hours guidelines.

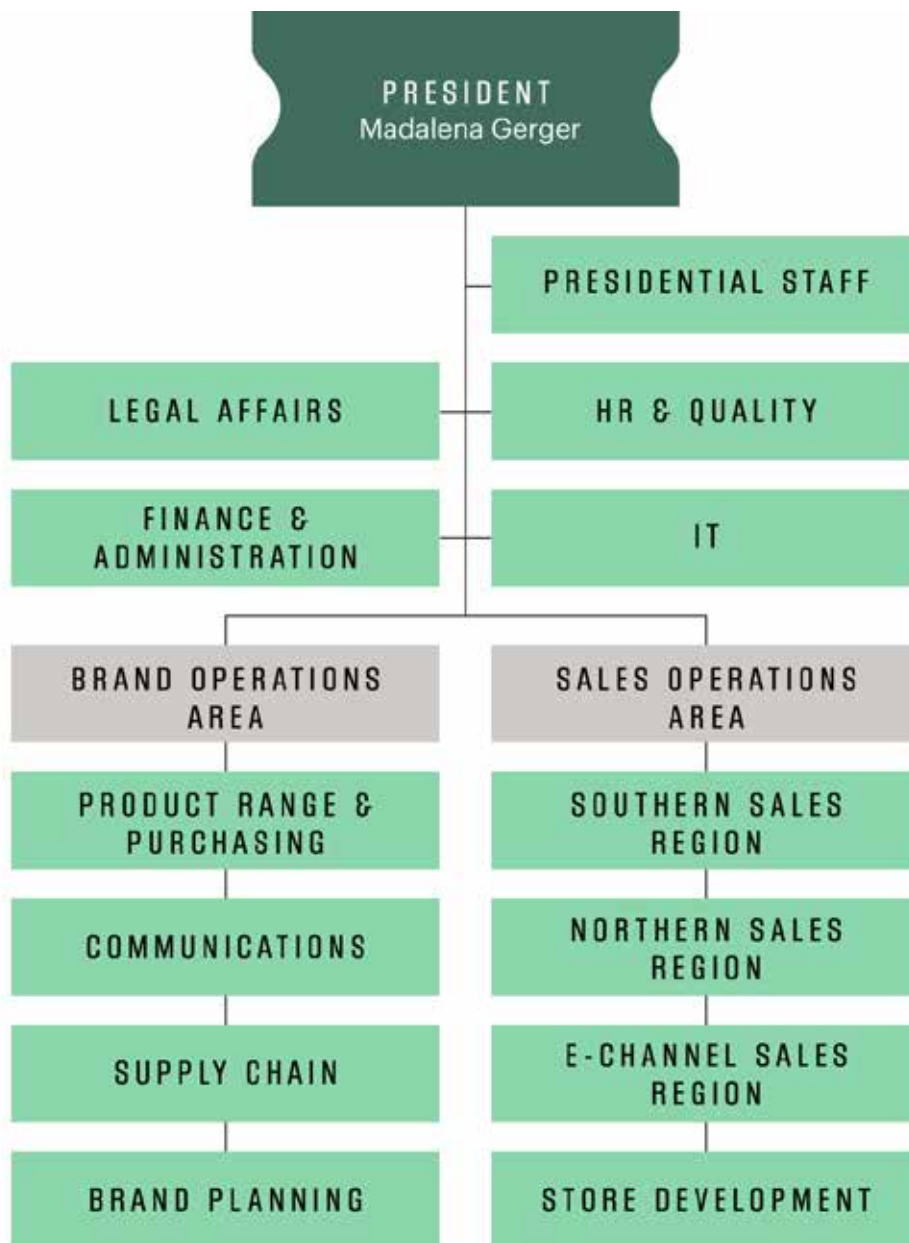
As a State-owned company, Systembolaget has a responsibility to act as a role model in the field of sustainable enterprise.

Organisation

Systembolaget's operations are conducted via 438 retail outlets in Sweden, which were visited by 122.1 (120.5) million customers during the year. Two new stores were opened in 2016, one in eastern and one in northern central Sweden. Systembolaget's Board of Directors also decided to strengthen the retail network by opening a further six stores and closing one down. The aim, by opening additional stores – the majority of which are planned for large urban areas – is to keep pace with the growth in population and growing urbanisation trends. There are also, in addition to the stores, 467 agents throughout Sweden from whom the customers can order goods for collection. Systembolaget also offers home delivery in a number of areas throughout Sweden on a trial basis.

The operations are conducted by Systembolaget AB and the wholly owned subsidiary companies, IQ-initiativet AB and AB K14 Näckströmsgatan. IQ-initiativet works to provide information in order to prevent and reduce alcohol-related harm. K14 Näckströmsgatan manages Systembolaget's operating properties.

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



Significant events, 2016

Disseminating knowledge

Systembolaget's social mandate includes the dissemination of knowledge of the harmful effects of alcohol. Systembolaget organised [open seminars](#) on the theme of alcohol and exercise, alcohol and cancer, how we are affected by other people's drinking, and alcohol and stress, as part of this work – all based on the latest alcohol research.

Systembolaget also awarded an annual knowledge prize in connection with alcohol research for the first time. The prize is awarded to an alcohol researcher whose leading research has generated new knowledge in the field of alcohol. The prize winner is chosen by an independent committee, and was awarded, this year, to Professor Emeritus [Mats Berglund](#).

Monitor survey

CAN (The Swedish Council for Information on Alcohol and Other Drugs) published its Monitor survey²⁴ of [alcohol consumption](#) in Sweden in 2015 this past autumn. The report shows that alcohol consumption has, in principle, remained on a par with levels in 2014 at 9.2 (9.3) litres of pure alcohol per head of population aged 15 and above. In the longer term, however, alcohol consumption has declined, and between 2005 and 2015, the total alcohol consumption per capita aged 15 and above has fallen by 10.6 per cent. Systembolaget's share of this consumption totalled 62.1 (61.9) per cent, in comparison with the percentage attributable to imports by travellers and restaurant sales, which totalled 13.4 (14.1) per cent and 10.7 (10.5) per cent, respectively.

Influence outside Sweden

Systembolaget's social responsibility also extends beyond Sweden's borders. The company is responsible for ensuring that human rights are respected throughout the supply chain, and for promoting a move towards better working conditions in the supply chain. Our work in this area has followed a clear strategy for the past nine years and is primarily based on an external Code of Conduct.

Just over 100 audits (third party audits, incident follow-ups, and in-house follow-ups) of the producers of Systembolaget's products have been carried out during the year in order to ensure that the producers are complying with the requirements of the Code of Conduct. The deviations noted related to such areas as discrimination, wage issues, and working hours. Systembolaget was informed of poor working conditions during the year at some of our wine producers in South Africa, amongst others. We take all incidents extremely seriously and follow up on them. Systembolaget's approach is to stay involved and help the producers in their improvement work. This is, however, conditional upon Systembolaget seeing clear results of this improvement work, and it was, unfortunately necessary for Systembolaget to de-list one producer and implement temporary sanctions against another during the year.

Systembolaget can also exert both social and environmental influence on the outside world through our customers' range preferences. Our ethical and organic product ranges have both been expanded during the year and by the end of the year, our fixed range included 31 (29) ethical products and 374 (289) organic ones.

Legal issues

A report entitled *Privat införsel av alkoholdrycker (Private imports of alcoholic drinks)*¹² was published in the summer of 2014. The Government Committee behind the report had been tasked with:

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

Finnish regulations in the area of distance selling of alcoholic drinks have been reviewed by the Court of Justice of the European Union as part of the so-called *Alkotaxi* case¹³. The Court issued its ruling on 12 November 2015, confirming that the member states are permitted to implement alcohol policy measures designed to protect public health, including the imposition of bans on distance selling of alcoholic drinks. In the autumn of 2016, the Swedish government presented a draft bill entitled "The regulation of distance selling of alcoholic drinks"²⁵ in order to clarify the regulations in this area. The memorandum also stated that the Court of Justice of the European Union ruling in the *Alkotaxi* case had been taken into account. According to the Government's proposal, the legislative changes are scheduled to come into force on 1 January 2018. Systembolaget's position paper emphasised that Systembolaget supports the clarification of Swedish law in the manner proposed by the Government.

In April 2014, a media services supplier submitted an application for a re-examination to the Administrative Court in Stockholm, requesting that Systembolaget re-conduct a procurement process and apply the provisions of the Swedish Public Procurement Act (LOU). In a ruling dated 16 October 2014, the Administrative Court rejected the application for a re-examination, finding that Systembolaget is not obliged to conduct procurements in accordance with LOU. The ruling was appealed to the Administrative Court of Appeal in Stockholm which, in a ruling dated 19 February 2016, confirmed the ruling by the Administrative Court. The ruling was appealed in March 2016 to the Supreme Administrative Court, which did not grant a licence to review and the previous ruling by the Administrative Court of Appeal stating that Systembolaget was not subject to LOU has consequently gained legal force.

The same media services provider initiated a new case in the summer of 2016 with regard to whether Systembolaget is subject to the provisions of LOU. The Administrative Court rejected the provider's suit. The provider appealed this ruling to the Administrative Court of Appeal, which, in February 2017, ruled as before, i.e. that Systembolaget is not obliged to conduct procurements in accordance with LOU.

Awards

Systembolaget received several awards during the year, which could be regarded as proof of the positive reception for the company's strategy. Systembolaget has, amongst others, been named the Best Retail Company¹¹ and Best Service Company in Sweden¹¹ for the fourth year in succession. Systembolaget also came second in the survey of Sweden's best companies²¹ and was the winner in two categories in the same survey – Service and Information/Communication²². Systembolaget, along with Sveriges Radio, were placed highest in the Confidence Barometer Survey²³ – 70 per cent of people asked had fairly high or very high confidence in Systembolaget. At the end of the year, Systembolaget was also declared a category winner for its campaign film "Experten" (The Expert) in the 100-wattaren advertising competition²⁷.

Significant events after the closing day

The following significant events have occurred after the closing day:

- In December 2016, Parliament passed the State budget for 2017. The budget included a decision to raise the tax on alcohol by 4 per cent for wine and beer and by 1 per cent for spirits. The new alcohol tax came into force on 1 January 2017.
- In December 2016, the Government decided to update the State's ownership policy and guidelines for State-owned companies. The regulations have been updated with regard to, amongst other things, external reporting, corporate governance, and guidelines for remuneration and other terms of employment for senior executives. The guidelines came into force on 1 January 2017.
- In January, Hans Jungland took over as Sales Director for Systembolaget, succeeding Mikael Wallteg, who retired.

Comments on the financial reports

Sales

Systembolaget's sales in 2016 totalled SEK 28,469 million (27,645 m), corresponding to a year-on-year increase of 3 per cent. Sales of wine totalled SEK 14,873 million, corresponding to an increase of 2.7 per cent, while sales of strong beer increased by 4.0 per cent to SEK 6,874 million. Sales of spirituous drinks increased by 1.9 per cent and totalled SEK 5,651 million, while sales of cider and mixed drinks increased by 5.0 per cent to SEK 737 million. The increase in revenues exceeded the increase in sales by volume, due to a continued shift in purchasing patterns towards more expensive products.

Recalculated as pure alcohol, sales volumes totalled 47.0 million litres, corresponding to a year-on-year increase of 1.4 per cent. The increase in sales volumes is primarily attributable to the growth in Sweden's population, that is, not to an increase in per capita consumption

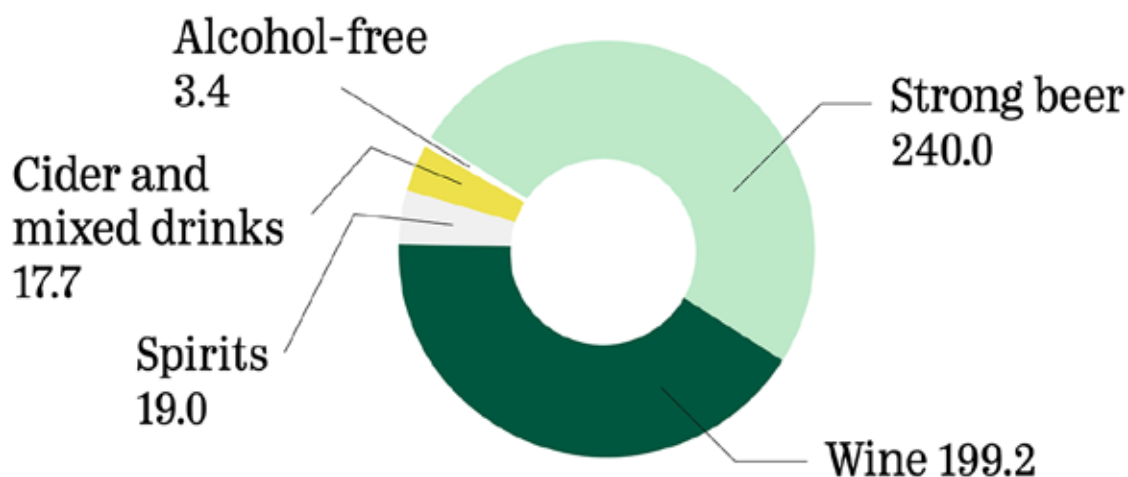
Sales of organic products increased by 26.8 per cent to SEK 3,636 million and comprised 12.8 per cent of total sales in SEK million. There were a total of 374 (289) organic products in Systembolaget's fixed range at the end of the year.

The number of ethically labelled products in Systembolaget's fixed range increased to 31 (29). Sales totalled SEK 610 million, corresponding to an increase of 2.5 per cent.

Interest in the alcohol-free range continues to increase, with sales of alcohol-free products increasing by 16.2 per cent and totalling SEK 172 million (148 m). This is a trend that Systembolaget is keen to promote and we are now able to offer a total of 59 (53) alcohol-free items in our fixed range.

Drinks sales in 2016, million litres

Drinks sales in 2016, million litres



Operating profit

Systembolaget posted an operating profit of SEK 217 million (179 m). The fall in the operating profit was due to a number of factors. Selling expenses, for example, increased to SEK 2,746 million (2,662 m) due, in part to the increase in the stores' personnel costs as a result of increased sales, annual pay reviews, and the increase in the number of stores. The increase in the number of stores also affected premises-related costs, and selling costs increased due to planned maintenance work in store premises and upgrades to our business system. Depreciation has, however, decreased due to a lower investment rate after the programme of conversion to self-service stores was completed in 2013. Administration costs fell to SEK 634 million (652 m) due to non-recurrent costs in connection with the transition to new pension solutions being charged to pension costs in 2015. The pension costs of 2016 were also affected by changes to indexing as a result of a reduction in the price base amount. **The operating margin excluding alcohol tax was 1.3 (1.1) per cent.**

Net financial items and pre-tax profit

The pre-tax profit was SEK 368 million (256 m). Net financial items totalled SEK 47 million (-3 m), SEK 26 million (31 m) of which comprised interest income, while SEK 7 million (-32 m) comprised unrealised changes in value, and SEK -1 million (-2 m) comprised realised changes in value. Interest expenses totalled SEK -1 million (0). A dividend of SEK 16 million was received from Systembolaget's subsidiary company, AB K14 Näckströmsgatan, in the second quarter of the year.

Cash flow

The cash flow from operating activities totalled SEK 306 million (480 m), with the year-on-year change primarily due to changes in working capital. The cash flow from investment activities totalled SEK -638 million (-117 m) and comprised net investments in financial assets of SEK -499 million (32 m) and net investments in tangible fixed assets of SEK -139 m (-149 m). The investments in tangible fixed assets primarily comprised the construction of new stores and renovation of existing ones. Systembolaget has elected to invest its surplus liquidity in interest-bearing instruments in 2016 to a greater extent than in 2015. The cash flow from financing activities totalled SEK -182 million (-251 m) and comprised a dividend of SEK 16 million from AB K14 Näckströmsgatan corresponding to the company's net profit and the fact that Systembolaget paid a dividend of SEK -198 million (-251 m) to the owner.

Financial position

Shareholders' equity on 31 December 2016 totalled SEK 1,612 million, corresponding to a year-on-year increase of SEK 91 million. The change comprised the net profit for the year less the dividend paid to the owner, which totalled SEK 198 million.

Summary of the subsidiary companies

IQ initiativet AB (IQ) works to help promote a smarter approach to alcohol that results in a reduction in the harmful effects of alcohol. IQ informs, inspires, challenges, and acts as a platform for good examples of alcohol-prevention measures. IQ is financed by Systembolaget with an annual budget of SEK 35 million (35 m). The pre-tax profit for the period was SEK 0.0 million (1.5 m).

AB K14 Näckströmsgatan manages Systembolaget's operating properties. On 31 December, the pre-tax profit totalled SEK 54.6 million (42.4 m). The profit was affected by a sale at the end of the year of a property owned by AB K14 Näckströmsgatan which yielded a pre-tax profit of SEK 33.3 million. The profit last year was affected by the restoration of a tax allocation reserve of SEK 21.2. The net profit is otherwise primarily attributable to -intercompany rental revenue.

The owner's goals and strategic key performance indicators

The Owner's Directive, adopted by the Annual General Meeting held on 21 April 2016, specifies mandate goals and economic goals for Systembolaget's operations. The key performance indicators for the mandate goals are the [CSI](#), [Alcohol Index](#) and Alcohol consumption in Sweden, including the percentage of this volume acquired through Systembolaget. Systembolaget is also tasked with commissioning an external party to conduct control purchases in order to test that the sales staff check that purchasers are at least 20 years of age, which is the minimum age required by law for the purchase of alcohol. The key performance indicators for the economic goals are the [Equity/assets ratio](#), [Return on shareholders' equity](#) and [Cost-effectiveness](#). Cost-effectiveness shall not show a negative trend over time and the goal will be quantified for the first time at the 2017 Annual General Meeting. The dividend should also, according to the Owner's Directive and provided that this is in accordance with the dividend regulations of the Swedish Companies Act, total an amount corresponding to 80-100 per cent of the net profit for the year after tax, with due consideration for the equity/assets goal.

Systembolaget is, as a State-owned company, required by the Owner to act as a role model in the field of sustainable enterprise. This entails, amongst other things, setting strategic sustainability goals, the key performance indicators for which within Systembolaget are a reduced Climate Impact and the Alcohol Index. The sustainability work shall be reported in accordance with the [GRI \(Global Reporting Initiative\)](#).

The Owner's goals (in accordance with the Owner's Directive) and the Board of Directors' sustainability goals for Systembolaget are strategic key performance indicators for the operations. Systembolaget has, introduced other strategic key performance indicators over and above those mandated by the Owner's goals. Results are reported quarterly in a balanced scorecard in which key performance indicator monitoring forms part of the combined reporting. The strategic key performance indicators are determined annually by the Board of Directors.

Strategic key performance indicators ¹	Result, 2016	Result, 2015	Goal, 2016	Goal, 2017
CSI	84	84	84.5	85
Proof of age checks (%)	96	96	96	96
Reduced climate impact ²	+6,918 tonnes CO ₂ e	+2,081 tonnes CO ₂ e	-3,000 tonnes CO ₂ e	-7,000 tonnes CO ₂ e
Alcohol index	63	65	66	>66
Total alcohol consumption in Sweden ³	–	–	–	–
Systembolaget's share of consumption, volume ⁴	–	–	–	–
OPI (%)	76	77	77	77
Performance culture	78	77	78	–
Total sick leave (%) ⁵	5.0	5.1	4.6	4.8
Quality supplier index	95	95	94.5	–
Equity/assets ratio (%)	28.2	28.3	20.0-30.0	20.0-30.0
Return on shareholders' equity ⁶	17.5	11.6	8-9 ⁹	9-10 ⁹
Cost effectiveness ⁸	7.1	7.2	–	–

¹See [glossary](#) for definitions

²Reported as of 2015 in Systembolaget's Responsibility Report, based on the starting value of 165,144 tonnes of CO₂e after updating the previous starting value of 171,090 tonnes of CO₂e (see also Climate impact).

³New goal in Owner's Directive as of 2015. The results will be published by CAN (the Swedish Council for Information on Alcohol and Other Drugs) in 2016.

⁴The results will be published by CAN (the Swedish Council for Information on Alcohol and Other Drugs) in 2016. No goal set.

⁵Results refer to rolling 12-month periods with one month's delay.

⁶Results refer to rolling 12-month periods.

⁷Based on estimated level of government bond interest rate.

⁸New goal in Owner's Directive, as of 2015. 2015 is the base year.

The strategic key performance indicators indicate that the CSI (Customer Satisfaction Index) and [Proof of age checks](#) continue at high levels of 84 (84) and 96 (96) per cent, respectively. The areas in which the CSI has improved are primarily attitudes to our social responsibility and the stores. The Reduced climate impact key performance indicator has performed negatively over the past two years, largely due to the fact that this indicator tracks the increase in sales. The OPI (Opinion Index) key performance indicator has also achieved a high result and shows that 76 per cent (77%) of Sweden's population want to retain Systembolaget and the monopoly. The OPI figure has, however, fallen by 0.5 per cent since 2015 due to a slight increase in the number of people who oppose or are neutral to the monopoly. Total sick leave rates, which have worsened since 2014, have stabilised during the year and totalled 5.0 per cent (5.1%). The focus during the year has been on analysing the causes of sick leave and increasing our knowledge of why people remain healthy. The return on shareholders' equity totalled 17.5 per cent (11.6%), with the year-on-year change due primarily to an increase in net financial items and the effect of changes to the tax allocation reserve. See [Our areas of responsibility](#) to find out more about our key performance indicators.

Outlook

Strategy

Systembolaget's Board of Directors has approved the adoption of a new strategic plan running from 2017 to 2020 during the year. One of our priority areas during this period will be continuing our efforts to impress our customers by means of, amongst other things, developing our digital customer interaction, developing our stores, product range, and the service we provide, and by increasing customer awareness of sustainability. Informed alcohol consumption and an enhanced understanding of the benefits of Systembolaget are all priority areas. Systembolaget shall also conduct resource-smart operations characterised by personal leadership. The strengths and commitment of all of our employees shall be utilised in achieving Systembolaget's goals and vision.

Sales

Sales trends have been relatively stable in recent years, with an annual increase in revenues of around 2-4 per cent. This trend is expected to continue in 2017. Current development trends with regard to the breakdown of sales between different product groups are also expected to continue. This would entail a continued increase in volumes in the majority of product groups, although growth in the individual product groups is expected to vary:

- Growth is expected to be strongest in the alcohol-free range and by ciders and mixed drinks.
- Wine sales are expected to increase in line with population growth.
- Sales of strong beer are expected to continue to increase, albeit at a slower rate than the very rapid one seen in recent years.
- Sales of spirituous drinks are expected to remain, essentially, at the same volume levels as in 2016.

The trend towards more expensive products in all product groups is expected to continue for the next few years. Organically labelled products have experienced high growth rates in recent years and this growth is also expected to continue in the next few years.

Alcohol marketing

The marketing of alcoholic drinks and the exposure of children and young people to this marketing are continuing to increase. This is a worrying trend. The marketing of alcoholic ice cream (which is classified an alcoholic substance) has also been relatively widespread. The question of how alcoholic ice cream should be classified, and whether the regulations governing the marketing of alcoholic drinks also includes alcoholic ice cream, has been investigated by the relevant authorities. The Government has appointed a Committee²⁶ which has been tasked with analysing the issues and submitting proposals on how alcoholic substances (including alcoholic ice cream) intended for consumption should be regulated. The Committee will also examine whether marketing can be restricted via digital media in particular.

Demographic and technological developments

There are a number of significant changes in the outside world that will affect expectations of Systembolaget's future development. Urbanisation, demographic trends, our customers' increased use of digital tools, and their increased interest in organic products, are clear examples of this changing world.

Demographics: Sweden's large conurbation regions have been growing for a number of years now, largely due to the influx of people from areas elsewhere in Sweden to the big cities¹⁵. This growth looks like continuing and even if the growth is now primarily due to immigration and increases in birth rates¹⁶, it still means that some areas of Sweden are becoming increasingly sparsely populated^{28 14}. This will pose a challenge for Systembolaget in terms of its ability to continue offering a high quality service, both in the big city areas and for those living in areas where distances to service centres are becoming increasingly long¹⁷.

According to the most recent figures, almost 1.7 million people in Sweden, corresponding to 17 per cent of the population, were born in another country. A further 6 per cent have parents who were born in other countries. The number of people born outside Sweden is expected to increase faster than ever before over the next few years and in 10 years' time, there are expected to be almost 2.5 million people in Sweden who were born elsewhere^{29 31 50}. This means new challenges for Systembolaget's employer brand, for our efforts to explain the benefits of Systembolaget, and for the aspects of our work that involve dialogue and service.

Technology: one trend that will become increasingly clear in the next few years is that of Sweden's ageing population. In November 2015, almost half of Systembolaget's potential customers were aged 50 or above and just over one quarter were over 65 years of age. By 2020, a further couple of hundred thousand people will join the over 65s age group and over half a million will be over 80 years old^{30 31}. This will probably give rise to new expectations of Systembolaget, for example in terms of the ways in which the stores are laid out and how information and other services are provided¹⁷.

The rapid increase in the use of smartphones and tablets creates new opportunities to reach out to people¹⁸. Today's consumers can, for example, rapidly initiate a purchasing process, irrespective of location. More and more operators are consequently focusing on interacting with their customers via a combination of physical and digital interfaces and on making customers' everyday lives easier through a variety of new tools²⁰. This will successively give rise to new expectations in terms of Systembolaget's interaction with its customers, and of our expertise and responsibility, irrespective of the channel chosen by the customer at that time for their interaction with Systembolaget.

Organic: we have seen a growing interest in food quality and in organic and locally produced food in recent years. Systembolaget, in common with other operators in the Swedish grocery retail trade, is now seeing successively increased expectations that we will offer a range that shows a model approach in the sustainability sphere. Swedes, along with Danes, currently buy more organic produce than people in any other country in the world.

Risks and uncertainty factors

Systembolaget's vision for our risk management is an operation in which the risks to which the company is exposed are identified at an early stage. Our owner shall feel secure in the way in which Systembolaget fulfils its mandate and manages its risks.

Risk is defined in this context as "an event that prevents Systembolaget from achieving its social mandate and its goals". The risks are managed on the basis of the degree of impact that they may have on the company and its mandate.

Company-wide risks

Systembolaget conducts an annual company-wide risk analysis that is divided into the following five process stages:

1. Identification
2. Evaluation
3. Prioritisation
4. Management
5. Monitoring

The risks are identified and evaluated by managers, key individuals within the operations and company management.

The principle used when evaluating risks is that Systembolaget has a low level of risk appetite and tolerance, particularly with regard to danger to the lives of our employees and the public and with regard to the company's existence, mandate or brand. Systembolaget conducts a strategic programme of sustainability work in areas such as human rights, working conditions, the environment, and anti-corruption. This means that sustainability risks are also included in the company-wide risk analysis. Read on to find out about our new audit selection model, for example, which will improve our ability to monitor working conditions in our supply chain.

Work in 2016

The risk analysis work in 2016 identified 90 risks. These were prioritised by evaluating their probability and consequence. The risks are managed and followed up as part of the process of operational monitoring. The ten highest rated risks are also monitored by the Board of Directors.

The highest rated risks relate to threats to the monopoly, namely a lack of clarity in alcohol-related legislation with reference to e-commerce, the increasing marketing of alcohol, and support for Swedish alcohol policy. Systembolaget has no control over these risks but must adapt its behaviour in line with them as well as manage them.

One of the sustainability risks relates to the ability to comply with our external Code of Conduct. The highest rated strategic risks evaluated in the 2015 risk analysis were all within the same areas, and the highest rated operating risks include threats and violence to Systembolaget's store personnel, and increased sick leave.

Financial risks

Financial risks, such as interest rate, credit, and liquidity risks are limited at Systembolaget. See [Note 13](#) Financial instruments, for additional information on financial risk management.

Systembolaget's risk management

Overall responsibility for risk management in Systembolaget lies with the operational managers. A manager who is responsible for their operations within the organisation is also responsible for the operations' risks and the way in which they are managed. This is clearly stated in the annual business plan, in which risk management activities are planned and monitored. The risk management work is monitored by the company management and, twice yearly, by the Board of Directors.

The internal audit, which is carried out by an external company, reviews and evaluates Systembolaget's operations, including its risk management work.

Corporate Governance Report

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

The owner

The owner's expectations of Systembolaget are specified in the agreement between Systembolaget and the state, in the Owner's Directive, in the State's ownership policy, and in the guidelines for State-owned companies. The agreement and the Owner's Directive specify the bases for the company's operations with regard to the social mandate, the requirement for financial efficiency, and any other requirements with regard to the company's operations. The owner determines the objectives of the company's operations through the Articles of Association, while the ownership policy establishes the owner's expectations of the company as one of the State-owned companies. The owner has set three mandate goals for Systembolaget, together with a number of financial goals. The mandate goals take precedence and their fulfilment is measured using the [Customer Satisfaction Index](#), the [Alcohol Index](#) and Alcohol consumption in Sweden. The financial goals comprise the equity/assets ratio, [return on shareholders' equity](#), and cost-effectiveness.

Systembolaget's mandate is, by means of its retail monopoly, to sell strong beer, wine and spirituous drinks in Sweden. Alcohol is not like other products. It can cause harm to individuals, to their nearest and dearest, and to society at large. Which is why Systembolaget is not like other companies. We exist to limit the harmful effects of alcohol. Systembolaget's mandate is to sell responsibly via its monopoly, to offer a high quality service, and to provide information on the risks associated with alcohol. It's objective is to help improve public health by limiting the harmful effects of alcohol.

Meetings are held on a rolling basis, approximately four to five times a year, between representatives of the owner and Systembolaget's Chairperson of the Board. Areas discussed during these meetings include the work of the Board of Directors, operational monitoring and follow-ups, the Annual General Meeting, monitoring of key performance indicators, and other goals set by the owner and the Board. The home delivery trial, ongoing legal proceedings, 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.

Corporate governance principles

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

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

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.

The Annual General Meeting

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

The 2016 Annual General Meeting

Systembolaget's 2016 Annual General Meeting was held on 21 April in Stockholm and was open to the public. The owner was represented by the Permanent Secretary, Agneta Karlsson, from the Ministry of Health and Social Affairs. The owner was also represented by the Director General for Legal Affairs, Lars Hedengran, from the Ministry of Health and Social Affairs.

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

- Re-election of Kenneth Bengtsson as the Chairperson of the Board.
- Re-election of the following Members of the Board: Thord Andersson, Crister Fritzson, Mona Sahlin, Kerstin Wigzell, Pia Fagerström, Håkan Leifman and Viveca Bergstedt Sten.
- Directors' fees payable to Members of the Board elected by the Annual General Meeting, members of the company's Board-appointed committees, and Auditors.
- New Owner's Directive.
- Approval of the "Guidelines for terms of employment for senior executives of Systembolaget AB" proposed by the Board of Directors.
- Adoption of the Income Statement and the Balance Sheet.
- Allocation of the company's profits.
- Granting of discharge from liability for the Board of Directors and the President.

The [minues](#) of the Annual General Meeting are available on Systembolaget's website, systembolaget.se.

2016 Extraordinary General Meeting

An Extraordinary General Meeting of Systembolaget was held on 30 November 2016. During the Extraordinary General Meeting, the shareholder decided to appoint two new Members of the Board, namely Frida Johansson Metso and Robert Damberg. The [minutes](#) of the Extraordinary General Meeting are available on Systembolaget's website, systembolaget.se.

The 2017 Annual General Meeting

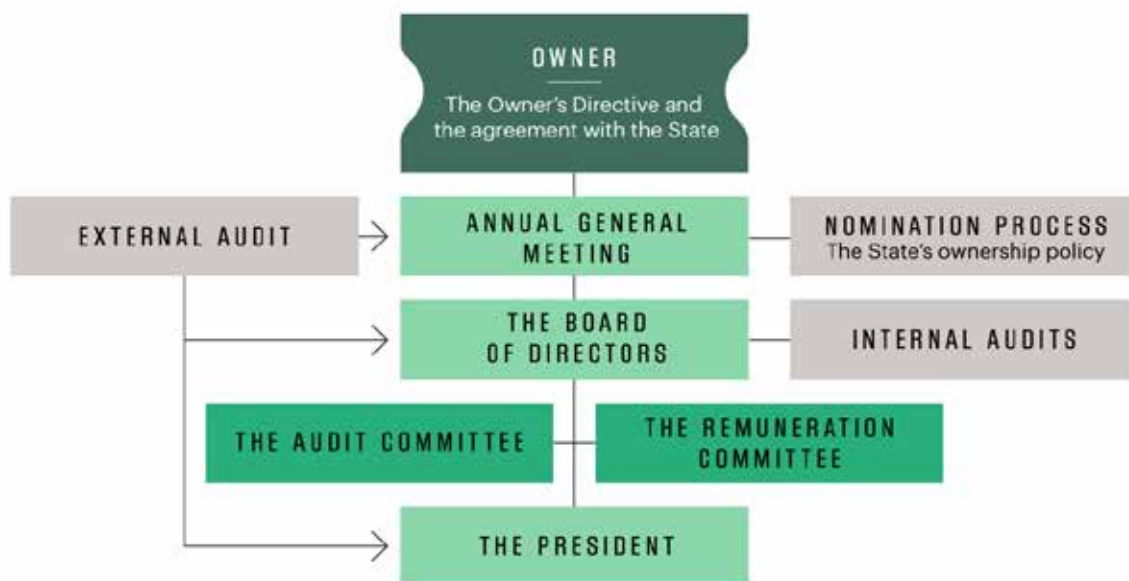
The 2017 Annual General Meeting will be held on 26 April in Stockholm. Notices convening the Annual General Meeting will be sent out in March 2017.

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 during the year. To be considered for a seat on the Board, individuals must not only possess high-level competence in the relevant commercial sphere, expertise in commercial development, industry know-how, and extensive familiarity with financial issues or other relevant areas, they must also display a strong sense of integrity and the ability to work in the best interests of the company. The selection is made from a broad recruitment base and aspects such as experience, areas of expertise, gender, ethnic and cultural background are also taken into account in order to ensure that the Board as a whole possesses a multifaceted range of skills and experience.

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 the operations entails drawing up operationally necessary policy documents and conducting annual evaluations of existing policies.



Composition of the Board

The Articles of Association prescribe that the Board of Directors shall comprise a minimum of six and a maximum of nine Members appointed by the General Meeting. The employee organisations are also entitled to appoint Members of the Board. The State's ownership policy states that the composition of the Board shall be such that the Board at all times possesses the industry know-how or other expertise that is directly relevant to the company. The Board must also possess the ability to work strategically with issues relating to sustainability. Systembolaget's Board of Directors has a broad composition with industry know-how and insight into external issues that affect the company's development.

The composition of the Board shall be such that a balance is achieved with regard to background, areas of expertise, experience and gender breakdown. The State's ownership policy states that the goal with regard to gender breakdown shall be at least 40 per cent of both sexes.

Systembolaget's Board of Directors has, since the Extraordinary General Meeting held in November 2016, comprised nine **Members of the Board** elected by the General Meeting. Four of these Members are women and five, men. The Board also includes two employee representatives with two Deputy Members appointed by the employee organisations. Three of the employee representatives are women and one, a man.

The number of Board Members elected by the General Meeting has varied as follows during the year: until the Annual General Meeting held in April 2016, the Board comprised nine Members. After the AGM, the Board comprised eight Members. One Member resigned in May 2016, and there were consequently then seven Members. Two new Members were elected at the Extraordinary General Meeting held in November 2016, since when Systembolaget's Board of Directors has once again comprised nine Members elected by the General Meeting. None of the Members of the Board are part of the company's management.

Presence at Board Meetings, 2016	Board function	Presence	Part of year
Kenneth Bengtsson	Chairman	8 of 8	
Thord Andersson	Member	8 of 8	
Robert Damberg	Member	1 of 1	Took up post at Extraordinary General Meeting on 30 November 2016
Pia Fagerström	Member	8 of 8	
Crister Fritzson	Member	6 of 8	
Carl B Hamilton	Member	2 of 2	Resigned at the AGM on 21 April 2016
Håkan Leifman	Member	8 of 8	
Frida Johansson Metso	Member	1 of 1	Took up post at Extraordinary General Meeting on 30 November 2016
Mona Sahlin	Member	3 of 3	Resigned on 24 May 2016
Viveca Bergstedt Sten	Member	7 of 8	
Kerstin Wigzell	Deputy Chairperson	7 of 8	
Berit Morén	Employee representative (Member)	7 of 8	
Maria Nilsson	Employee representative (Member)	8 of 8	
Karin Larsson	Employee representative (Deputy)	8 of 8	
Nils Undall-Behrend	Employee representative (Deputy)	8 of 8	

Presence at Audit Committee Meetings, 2016	Function	Presence	Part of year
Viveca Bergstedt Sten	Member	6 of 6	
Thord Andersson	Member	6 of 6	
Pia Fagerström	Member	6 of 6	
Crister Fritzson	Member/Chairman	5 of 6	Resigned as Chairperson on 21 April 2016 but continues as a member

Presence at Remuneration Committee Meetings, 2016	Function	Presence	Part of year
Kenneth Bengtsson	Chairman	5 of 5	
Carl B Hamilton	Member	2 of 2	Resigned on 21 April 2016
Håkan Leifman	Member	3 of 3	Took up post on 21 April 2016
Kerstin Wigzell	Member	2 of 5	

Systembolaget's President and CFO attend the Board Meetings. Systembolaget's Senior Legal Counsel, who is a member of the company management, is the Secretary to the Board. Other members of the company's management attend as required.

The Chairman of the Board

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

- ensuring that the work of the Board is conducted efficiently and is well-organised;
- ensuring that the Board receives sufficient information and source data on which to base its decision-making work;
- working in consultation with the President to set the agenda for Board Meetings;
- checking that the Board's decisions are implemented;
- ensuring that the work of the Board is evaluated annually.

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

The work of the Board

The Board has adopted a formal work plan which specifies how the work is to be divided between the Board, the owner, the committees and the President. The work plan is reviewed annually and was adjusted and adopted in 2016 at the Meeting held by the newly formed Board in April. The work plan states that the Board, as a rule, shall hold at least five meetings per financial year in addition to the Board Meeting that is held following elections.

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

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

The Board is responsible for setting goals for Systembolaget's sustainability work, for ensuring that the goals are integrated into the company's business strategy, and for ensuring that the sustainability work is reported in accordance with the [Global Reporting Initiative](#) (GRI) international reporting standard, and otherwise in accordance with the owner's policy. The two strategic sustainability goals approved by the Board of Directors for Systembolaget are that the Alcohol Index shall show a positive trend over time and that Systembolaget shall work to [reduce the climate impact](#) throughout the value chain. The Board is also responsible for ensuring that Systembolaget complies with relevant guidelines on environmental considerations, human rights, working conditions, anti-corruption, and business ethics.

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

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

Conflicts of interest within the Board are avoided in accordance with the requirements specified in the Swedish Companies Act ([ABL 8:23](#)).

All Members of Systembolaget's Board of Directors work actively with the issues that it is incumbent upon the Board to address and otherwise with issues referred to it for consideration. The Board meets annually with the company's auditors.

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

Strategic plan, key performance ratios and indicators

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 2016 was adopted at the Board Meeting in June 2013 and refers to the years from 2014 to 2016.

The strategic plan for the period from 2014 to 2016 contains four factors for success that describe the areas on which Systembolaget must focus in order to ensure popularity and success during the strategic period. The factors for success were:

- Develop Systembolaget's offering in a sustainable way.
- Help bring about more informed alcohol consumption.
- Explain and take responsibility for the benefits offered by Systembolaget.
- Develop our methodology, leadership and partnerships, internally and externally.

A number of strategic key performance indicators linked to our four factors for success constitute quantitative goals for the four-year period in question and are also broken down by year in the business plan. There are also a number of indicators where trends are monitored. The Board of Directors receives regular feedback on these key performance indicators and other indicators.

In June 2016, the Board adopted a new strategic plan for the years from 2017 to 2020. The four factors for success from the strategic plan for the years from 2014 to 2016 have been retained in the new strategic plan for 2017 to 2020, but have been reformulated as follows:

- Impressed customers.
- Informed alcohol consumption.
- The benefits of Systembolaget.
- Resource-smart operations and personal leadership.

Beginning in 2017, when the new strategic plan comes into force, Systembolaget will have twelve strategic key performance indicators and other indicators that will be continuously monitored by the Board within the framework of the regular operational monitoring. These key performance indicators and other indicators are presented in the table below. As is apparent from the footnote to the table, measurement of one of the key performance indicators will cease in 2017, while the others remain the same as in the previous strategic plan.

Ten of these key performance indicators are the same as in the current strategic period. A new key performance indicator has, however, been introduced in addition to these ten, namely the consideration index. There will also, in addition to the key performance indicators, be four strategic indicators that the Board will monitor during the strategic period.

The new strategic plan has also identified three strategic shifts on which Systembolaget will focus during the coming strategic period and which will, in their different ways, contribute to Systembolaget's four factors for success. The three strategic shifts are:

1. Continue impressing the customers.
2. Increased awareness of the risks associated with alcohol and Systembolaget's purpose.
3. Best preconditions.

The need to focus on "Kraften I 5 000" [The strength of 5,000] has also been identified in the strategic plan to ensure success with these shifts. What this means is taking the skills, abilities and commitment of all of Systembolaget's 5,000 employees to the next level.

Strategic key performance indicators	Owner's goal	Board's goal
Customer Satisfaction Index (CSI)	X	X ¹
Reduced climate impact (throughout the value chain)		X
Opinion Index (OPI)		X
Proof of age checks		X
Sick leave		X
Performance culture		X
Quality Supplier Index ²		X
Equity/assets ratio	X	
Return on shareholders' equity	X	
Cost-effectiveness ¹	X	

Strategic indicators	Owner's goal	Board's goal
Alcohol Index	X	X ¹
Total consumption ³	X	
Systembolaget's share of alcohol consumption	X	

¹The Board adds additional detail to the goal level on the basis of the Owner's Directive

²Measurement of this key performance indicator will cease in 2017 in accordance with the 2017-2020 strategic plan

³The number of litres of pure alcohol per head of population aged 15 and above

The work of the Board in 2016

The Board held a total of eight Board Meetings in 2016. The usual follow-up work, both on the company's economic performance and on the social and environmental aspects that arose during the course of the operations has been carried out on an ongoing basis by the Board. This follow-up work is reported by means of strategic key performance indicators, the equity/assets ratio, and the return on shareholders' equity, 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, as well as its results in the field of sustainability. Aside from the ongoing monitoring of strategic key performance indicators, the issues addressed by the Board included:

- the Responsibility Report;
- real estate issues (strategic decisions on opening or closing stores);
- strategic issues and sustainability-related issues, including issues relating to compliance with the Code of Conduct in the supply chain;
- the home delivery trial;
- ongoing legal proceedings;
- the new strategic plan for 2017-2020;
- issues relating to the review of Systembolaget's pricing model;
- issues relating to the Alcohol Research Council;
- the management talent pool and succession planning;
- skill development for managers and employees.

Directors' fees and fees for committee members

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

Evaluation of the work of the Board

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

This year's evaluation was carried out by means of questionnaires answered by the Members of the Board and including questions on such issues as working climate and cooperation, skills, the work of the Board, and the role of the Chairperson. The results of the evaluation of the work of the Board have been presented to the Board at a Board Meeting and in the form of a Board memorandum.

In December 2016, the Chairperson of the Board notified the Government Offices of Sweden of the results of the evaluation, in accordance with the State's ownership policy. In addition to the Board's own evaluation, evaluations of the Boards in State-owned companies are conducted on an ongoing basis as part of the Government Offices of Sweden's internal work on the nomination process.

The Audit Committee

Composition

Systembolaget's Audit Committee in 2016 comprised Members of the Board Viveca Bergstedt Sten (Chairperson of the Committee since the Board Meeting following election April 2016, previous a member), Crister Fritzon of the Committee until the Board meeting following election in April 2016, now a member), Thord Andersson and Pia Fagerström. None of the members of the Audit Committee are part of the company's management. Systembolaget's CFO and its Senior Legal Counsel, who is also the Secretary to the Committee, and the auditors participate in the Audit Committee meetings, as when necessary, does Systembolaget's President.

Responsibilities

The Board has delegated to the Audit Committee the right to address certain issues, and to take decisions on the same, and has, furthermore, tasked the Committee with otherwise preparing issues relating to Systembolaget's financial reporting and the efficiency of the company's internal controls, internal and external audits, and risk management.

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

The work of the Committee in 2016

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

The Remuneration Committee

Composition

Systembolaget's Remuneration Committee comprised three members in 2016: the chairperson of the Board, Kenneth Bengtsson, and Members of the Board Kerstin Wigzell and Håkan Leifman. Carl B Hamilton was a member of the Committee until the meeting following election in April 2016 when he resigned and Håkan Leifman was elected as a new member of the Remuneration Committee. None of the members of the Remuneration Committee are part of the company's management. Systembolaget's President attends the Committee's meetings and the HR Director attends, as necessary.

Responsibilities

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

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. Decisions on contracts of employment for senior executives (with the exception of the President and the Vice Presidents) shall ultimately be taken by the Remuneration Committee.

The work of the Committee in 2016

The Remuneration Committee has held five meetings during the year. The Committee has, in customary fashion, drawn up proposed guidelines for terms of employment for senior executives of Systembolaget. The Committee has, furthermore, addressed issues relating to pay reviews, pensions, the company management's salary trend, evaluation of the work of the President of the company, succession planning and the talent pool, and the annual evaluation and updating of certain policies.

The President and senior executives

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

Systembolaget's management and steering structure

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

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

Guidelines for senior executives' terms of employment

Systembolaget follows, in every significant respect, the Government's guidelines on terms of employment for senior executives in State-owned companies. Systembolaget also complies with the normative provisions in the Code on remuneration for senior executives, which stipulate that the company shall have formalised and transparent processes for deciding on the remuneration payable to senior executives. See [Note 6](#) of the financial reports for full details of guidelines and remuneration.

Assessment of the President

The Board shall, under the provisions of the Code, carry out a continual assessment of the President's performance. The assessment of the President's performance took place during the autumn with the help of an external consultancy firm, and examined the following components of the President's performance, amongst others: the President's goal fulfilment, media analysis, the President's relationships with the Board and at managerial level, the President's methodology and personal characteristics, and interviews with the Members of the Board and company management. The results of the assessment were very good across the board and revealed that the President is strongly supported by both the Board and the company management.

The President: Magdalena Gerger

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

Born: 1964

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

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

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



Sustainable enterprise

The State's ownership policy states that the corporate governance of the state-owned companies shall act as a role model in the field of sustainable enterprise. This sphere includes areas such as human rights, labour conditions, the environment, anti-corruption and business ethics, and equal opportunities and diversity. Acting as a role model in the sphere of sustainable enterprise means, amongst other things, acting transparently on issues relating to significant risks and opportunities, engaging in an active dialogue with the company's stakeholders in society, working in partnership with other companies and relevant organisations, and complying with international guidelines in the area. State-owned companies, such as Systembolaget, shall also have a well thought out and well rooted policy and strategy and shall adopt strategic goals in the area of corporate social responsibility, and Systembolaget has, therefore, adopted policies, strategies and strategic goals for its sustainability work. The strategic sustainability goals adopted by the Board of Directors for Systembolaget refer to the Alcohol Index and a reduction in climate impact throughout the value chain.

External audit

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

The current firm of auditors – Ernst & Young AB – was appointed as the auditors of Systembolaget at the Annual General Meeting, with Authorised Public Accountant, Åsa Lundvall, as the auditor in charge for the period up to and including the 2017 Annual General Meeting. The Annual General Meeting also approved the payment of auditors' fees to the current firm of auditors, Ernst & Young, in accordance with a separate agreement.

It was also announced at the Annual General Meeting that the Riksdag Board has, in accordance with a resolution dated 16 March 2016, appointed three Lay Auditors, namely Maria Plass, Jörgen Hellman and Lennart Axelsson, together with three Deputy Lay Auditors, namely Niklas Karlsson, Andrea Völkler and Amir Adan, for the period up to and including the next Annual General Meeting.

Internal control

The Board of Directors is responsible for the company's internal controls, pursuant to the provisions of the Swedish Companies Act and the Swedish Code of Corporate Governance. 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 and guidelines, work routines and manuals, and the fundamental values communicated and operated upon by the Board and the company management. Systembolaget has internal functions for risk control, security and compliance. Internal audits are carried out by an external company.

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

One example of an important control structure is the strict application of the duality principle, whereby no one person alone shall administer the entire processing chain and two mutually independent institutions shall be used in conjunction with the valuation of financial assets.

Risk assessment

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

A financial risk analysis was carried out in 2016, assessing every item in the Balance Sheet and Income Statement on the basis of specific criteria, namely materiality, the complexity of the valuation, previous errors, and the potential for fraud.

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

Control activities

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

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 and guidelines, 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 systembolaget.se website.

Monitoring

The company management and the Board of Directors receive ongoing reports on the way in which the operations have developed in relation to the business plan, budget and established goals.

The Audit Committee also receives regular reports on the results of internal audits carried out and on the operations' risk management activities.

The Board of Directors

Systembolaget AB's Board of Directors comprises nine Members and two Employee Representative Members, together with two Deputies to the Employee Representatives.

Members



Kenneth Bengtsson

Chairman

Born: 1961

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

Other positions held: Chairman of Mekonomen AB, Ahlsell AB, Clas Ohlson, the Ersta diakoni charitable organisation, Eurocommerce, Junior Achievement in Sweden, and the World Childhood Foundation. Member of the Board of Herenco.

Elected: 2014

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

Independence: The Chairman is adjudged by the owner to be independent in relation to the company and the company management.



Thord Andersson

Born: 1961

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

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

Elected: 2011

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

Independence: The Member is adjudged by the owner to be independent in relation to the company and the company management.



Robert Damberg

Born: 1982

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

Other positions held: County Council Commissioner, Uppsala County Council.

Elected: 2016

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

Independence: The Member is adjudged by the owner to be independent in relation to the company and the company management.



Pia Fagerström

Born: 1966

Principal education: M.Sc. (Economics) from Stockholm University.

Other positions held: Deputy Director, Ministry of Health and Social Affairs.

Elected: 2014

Positions previously held: —

Independence: The Member is adjudged by the owner to be independent in relation to the company and the company management.



Crister Fritzon

Born: 1961

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

Other positions held: President & CEO of SJ AB since 2012, Member of the Boards of Trafik i Mälardalen AB, Net Insight AB, Samtrafiken i Sverige AB, Almega Tjänsteförbunden, Linkon AB, Svensk Turism AB, the Confederation of Swedish Enterprise, and the Railway Industry's Collaboration Forum. Chairman of the Association of Swedish Train Operating Companies.

Elected: 2012

Positions previously held: CEO of Boxer, President & CEO of Teracom Group. Chairman of the Boards of Plus-TV Finland, Boxer Danmark and BSD Denmark.

Independence: The Member is adjudged by the owner to be independent in relation to the company and the company management.



Håkan Leifman

Born: 1963

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

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

Elected: 2014

Positions previously held: –

Independence: The Member is adjudged by the owner to be independent in relation to the company and the company management.



Frida Johansson Metso

Born: 1984

Principal education: Registered Psychologist, Uppsala University.

Other positions held: Assistant Operations Manager at the Red Cross Centre for Tortured Refugees, Member of the Swedish Liberal Party Board since 2011, Member of the Stockholm Municipal Council since 2010.

Elected: 2016

Positions previously held: Chairman of the Swedish Liberal Party Youth Association, LUF, 2007-2010.

Independence: The Member is adjudged by the owner to be independent in relation to the company and the company management.



Viveca Bergstedt Sten

Born: 1959

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

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

Elected: 2014

Positions previously held: Senior Legal Counsel & Corporate Secretary of PostNord AB, Senior Legal Counsel & Corporate Secretary of Posten AB, Senior Legal Counsel of LetsBuyit Com, Senior Legal Counsel of Amadeus Scandinavia (then known as SMART AB), and Corporate Legal Counsel of SAS. Member of the Boards of Svensk Kassaservice AB, Strålfors AB and Post Danmark A/S. Member of the Confederation of Swedish Enterprise Corporate Legal Reference Group, 2005-2011, member of the Government Commission on Bribery (Ju 2009:05): Working Group, and member of the IT Observatory/IT Commission 1996-2003.

Independence: The Member is adjudged by the owner to be independent in relation to the company and the company management.

Kerstin Wigzell



Born: 1945

Principal education: Behavioural and Social Sciences at Stockholm University..

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

Elected: 2009

Positions previously held: Assistant Undersecretary at the Swedish Government Offices. Director General of the Swedish National Board for Youth Affairs and the National Board of Health and Welfare, Director General of the National Swedish Social Insurance Board. Special Commissioner at the Government Offices of Sweden. Chairman of the Boards of Stockholm Academy of Dramatic Arts, and the Swedish Research Council for Health, Working Life and Welfare. Deputy Chairman of the Board of Systembolaget and of the Swedish Agency for Health and Care Services Analysis. Member of the Boards of WHO and the National Judiciary Administration, the Swedish Council for Working Life and Social Research, and the Swedish National Council on Medical Ethics.

Independence: The Member is adjudged by the owner to be independent in relation to the company and the company management.

Employee representatives



Berit Morén

Member

Born: 1957

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

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

Appointed: 2011



Maria Nilsson

Member

Born: 1965

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

Other positions held: Employed since 1988. Chairman of Systembolaget's Staff Association, Chairman of the Stockholm Salespersons Club, Deputy Chairman of the Stockholm Regional Board, Member of the Trade delegation.

Appointed: 2015



Karin Larsson

Deputy

Born: 1958

Principal education: Vocational upper secondary school courses in health care.

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

Appointed: 2012

Nils Undall-Behrend

Deputy



Born: 1954

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

Other positions held: Employed since 1982, Store Manager since 1991. 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 the [Corporate Governance Report](#) for further information.



Marie Nygren

Vice President, Communication, and Purchasing Director

Born: 1965

Employed: 2007

Education and previous positions: B.SC. (Economics and Business Administration).

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



Tobias Frohm

Human Resources Director

Born: 1965

Employed: 2011

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

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



Charlotte Hansson

Chief Financial Officer

Born: 1969

Employed: 2015

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

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

Hans Jungland

Sales Director



Born: 1965

Employed: 2003. Succeeded Mikael Wallteg in this role in 2017.

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



Eva Listi

IT Director

Born: 1962

Employed: 2016

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

Ms Listi joins Systembolaget from PostNord AB and the position of Deputy CIO and Director of IT Planning & Transformation. She also formerly held the position of CIO at Ericsson and has, additionally, held a number of senior IT positions at AstraZeneca, Pfizer and Pharmacia.



Malin Sandquist

Senior Legal Counsel

Born: 1972

Employed: 2012

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

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

Ten year overview

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Profit/loss (SEK m)										
Net sales (excluding alcohol tax)	28,469	27,645	26,431	25,709	25,099	24,416	24,111	23,360	21,296	20,211
Net sales (excluding alcohol tax)	17,034	16,379	15,901	15,589	15,003	14,368	14,004	13,337	11,905	11,143
Gross profit/loss	3,591	3,488	3,382	3,303	3,201	3,115	3,051	2,961	2,699	2,567
Operating profit/loss	217	179	370	168	270	159	339	424	9	83
Net financial items	47	-3	56	208	58	119	-24	109	714	250
Profit before tax	368	256	324	317	248	278	315	533	723	333
Net profit/loss for the year	289	198	251	287	180	223	223	406	687	295
Financial position (SEK m)										
Fixed assets	2,797	2,300	2,520	2,258	1,921	1,697	1,916	2,296	2,213	2,350
Current assets	3,075	3,517	3,236	3,205	3,222	3,339	3,257	2,823	2,398	2,458
Shareholders' equity	1,612	1,521	1,574	1,610	1,411	1,390	1,469	1,591	1,386	1,581
Liabilities	4,260	4,296	4,182	3,853	3,732	3,646	3,704	3,528	3,225	3,227
Balance Sheet total	5,872	5,817	5,756	5,463	5,143	5,036	5,173	5,119	4,611	4,808
Cash Flow Statement (SEK m)										
Cash flow from operating activities	306	480	632	456	574	343	537	762	184	779
Cash flow from investment activities	-638	-117	-416	-530	-318	138	-204	34	446	-501
Cash flow from financing activities	-182	-251	-287	-90	-159	-332	-345	-201	-868	-210
Cash flow for the year	-514	112	-71	-164	97	149	-12	595	-238	68
Strategic key performance indicators										
Customer Satisfaction Index (CSI)	84	84	83	82	81	79	78	78	77	75
Proof of age checks, %	96	96	97	96	95	94	94	93	90	85
Alcohol Index	63	65	62	66	-	-	-	-	-	-
Opinion Index (OPI), %	76	77	74	72	71	68	66	66	64	61
Performance culture	78	77	77	-	-	-	-	-	-	-
Total sick leave, %	5.0	5.1	4.7	-	-	-	-	-	-	-
Quality Supplier Index	95	95	94	93	93	-	-	-	-	-

Reduced climate impact, change for the year, tonnes CO ₂ e	+4,837	+2,081	-	-	-	-	-	-	-	-
Return on shareholders' equity, %	17.5	11.6	14.4	18.0	12.6	15.6	14.6	27.3	46.3	19.2
Equity/assets ratio, %	28.2	28.3	30.6	31.5	28.6	27.6	28.4	31.1	30.1	32.9
Cost-effectiveness	7,1	7,2	-	-	-	-	-	-	-	-
Other key performance indicators										
Trading margin, incl. alcohol tax, %	12.6	12.6	12.8	12.8	12.8	12.8	12.7	12.7	12.7	12.7
Trading margin, excl. alcohol tax, %	21.1	21.3	21.3	21.2	21.3	21.7	21.8	22.2	22.6	23.1
Operating margin, incl. alcohol tax, %	0.8	0.6	1.4	0.7	1.1	0.7	1.4	1.8	0	0.4
Operating margin, excl. alcohol tax, %	1.3	1.1	2.3	1.1	1.8	1.1	2.4	3.2	0.1	0.7
Basic and diluted earnings per share, SEK	803	549	697	796	500	619	619	1,128	1,908	819
Equity per share, SEK	4,478	4,225	4,372	4,472	3,919	3,861	4,081	4,419	3,850	4,392
Dividend per share, SEK ¹	803	549	697	796	250	442	839	958	2,151	821
Stock turnover rate, multiple	22,7	22,9	23,5	23,9	24,7	24,5	25,7	25,4	23,2	22,3
Average number of employees	3,551	3,425	3,347	3,280	3,172	3,192	3,127	3,043	3,013	2,834

¹ 2016 dividend per share, as proposed by the Board of Directors.

Financial Reports

Income Statement

SEK m	Note	2016	2015
Net sales		28,469	27,645
Cost of goods sold		-24,878	-24,157
Gross profit/loss		3,591	3,488
Selling expenses		-2,746	-2,662
Administrative costs		-634	-652
Other operating income		6	5
Other operating expenses		0	0
Operating profit/loss		217	179
Income from participations in Group companies		16	-
Income from other securities and receivables classified as fixed assets		32	-3
Interest income		0	0
Interest income from Group companies		-	0
Interest expenses and other similar P/L items		-1	0
Profit/loss after financial items		264	176
Appropriations		104	80
Profit/loss before tax		368	256
Tax		-79	-58
Net profit/loss for the year		289	198

Statement of comprehensive income

SEK m	Note	2016	2015
Net profit/loss for the year		289	198
Other comprehensive income		–	–
Total comprehensive income for the year		289	198
Basic and diluted earnings per share, SEK ¹		803	549
Number of shares at the period end		360,000	360,000
Average number of shares during the period		360,000	360,000
Total proposed dividend, SEK m		289	198
Proposed dividend per share, SEK		803	549
Dividend approved and disbursed during the year, SEK m		198	251

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

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

Balance Sheet

SEK m	Note	12/31/16	12/31/15
ASSETS			
Fixed assets			
Intangible fixed assets			
IT systems expenses carried forward		–	3
Total intangible fixed assets		–	3
Tangible fixed assets			
Buildings and land		32	34
Equipment, fixtures and fittings		414	473
Construction work in progress		50	43
Total tangible fixed assets		496	550
Financial fixed assets			
Participations in Group companies		0	0
Deferred tax receivables		28	29
Other long-term securities holdings		2,261	1,706
Other long-term receivables		12	12
Total financial fixed assets		2,301	1,747
Total fixed assets		2,797	2,300
Current assets			
Inventory		1,272	1,161
Current receivables			
Accounts receivable		7	6
Current tax receivable		–	5
Other receivables		28	14
Prepaid costs and accrued income, Group companies		7	7
Prepaid costs and accrued income		131	134
Total current assets		173	166

Short-term investments	271	317
Cash and bank balances	1,359	1,873
Total current assets	3,075	3,517
TOTAL ASSETS	5,872	5,817

SEK m	Note	12/31/16	12/31/15
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SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity		
Restricted equity		
Share capital	360	360
Statutory reserve	72	72
Total restricted equity	432	432
Non-restricted equity		
Profit/loss carried forward	891	891
Net profit/loss for the year	289	198
Total non-restricted equity	1,180	1,089
Total shareholders' equity	1,612	1,521
Untaxed reserves		
Tax allocation reserve	57	161
Total untaxed reserves	57	161
Provisions		
Long-term provisions	80	81
Total provisions	80	81
Long-term liabilities		
Long-term liabilities to Group companies	72	76
Other liabilities	23	22
Deferred tax liabilities	–	–
Total long-term liabilities	95	98

Current liabilities

Accounts payable	3,712	3,571
Current liabilities to Group companies	2	2
Current tax liability	3	–
Other liabilities	120	184
Accrued costs and prepaid income	191	199
Total current liabilities	4,028	3,956
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,872	5,817

Changes in shareholders' equity

SEK m	Share capital	Statutory reserve	Capitalised profit/loss	Net profit/loss for the year	Total shareholders' for the year equity
Opening balance, 1 January 2015	360	72	891	251	1,574
Transfer to non-restricted reserves			251	-251	–
– Net profit/loss for the year				198	198
Dividend paid to the owner			-251		-251
Closing balance, 31 December 2015	360	72	891	198	1,521
Change in shareholders' equity, 2016					
Transfer to non-restricted reserves			198	-198	–
– Net profit/loss for the year				289	289
Dividend paid to the owner			-198		-198
Closing balance, 31 December 2016	360	72	891	289	1,612

Cash flow statement

SEK m	Note	2016	2015
Operating activities			
Profit/loss before tax		368	256
Adjustment for items not included in the cash flow			
Depreciation and write-downs		196	235
Capital gain/loss		1	5
Other		-88	-45
Cash flow from changes in working capital			
Change in inventory		-111	-76
Change in receivables		-12	9
Change in liabilities		69	176
Change in financial receivables/liabilities from/to subsidiaries		-21	15
Cash flow from operating activities after changes in working capital		402	575
Tax paid		-96	-95
Cash flow from operating activities		306	480
Investment activities			
Acquisition of tangible fixed assets		-139	-151
Sale of tangible fixed assets		0	2
Acquisition/sale of financial fixed assets		-499	32
Cash flow from investment activities		-638	-117
Financing activities			
Dividend from AB K14 Näckströmsgatan		16	
Dividend paid to the owner		-198	-251
Cash flow from financing activities		-182	-251
Cash flow for the year		-514	112
Liquid assets at the beginning of the year		1,873	1,761
Liquid assets at the end		1,359	1,873

Note 1 – Accounting principles

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

General

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

The annual accounts for the 2016 financial year were approved for publication by the Board of Directors and the President on 23 March 2017 and will be submitted to the Annual General Meeting on 26 April 2017. Systembolaget does not, as of 1 January 2012, prepare any consolidated accounts in accordance with chapt. 7, §3a of the Swedish Companies Act. Systembolaget conducts operations that are related to the retail sector operations, but which are not captive, via two separate, wholly owned subsidiaries – IQ-initiativet AB and AB K14 Näckströmsgatan.

Bases for preparation

Amounts

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

Dates

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

Annual accounts

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

Exemptions from IFRS

Pensions

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

Development costs

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

Untaxed reserves

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

Leasing

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

Amended accounting principles

The Group applies the same accounting principles as those applied in the 2015 annual accounts with the following exceptions that are due to new or revised standards, interpretations and improvements adopted by the EU and which have been applied as of 1st January 2016. Systembolaget has elected to comment solely on those innovations that have had or that may have an effect on the company's accounts.

Standards, amendments and interpretations that came into force in 2016 and which have affected or may affect the accounts

Annual improvements 2012-2014

Minor amendments to and clarifications of 4 standards, including IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, and IFRS 34 Interim Financial Reporting, may affect the accounts.

IAS 1 Presentation of Financial Statements

Clearer guidelines on materiality, aggregation, and disaggregation of items, structure of Notes to the Accounts, and information on accounting principles that may affect the accounts.

Future standards, amendments and interpretations in 2017 or thereafter that will or may affect the accounts

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 9 Financial instruments

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

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

IFRS 16 Leases

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

The Swedish Financial Reporting Board has proposed the incorporation of an equivalent of the current exemption for financial leasing agreements into RFR 2. Systembolaget has not, as yet, evaluated the effects of the new standard.

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 uncertainty factors.

Foreign currencies

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

Segment reporting

An industry segment comprises a part of a company that engages in commercial activities and whose operating profit/loss is regularly reviewed by the company's most senior executive decision-maker.

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

Revenue recognition

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

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

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

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

State subsidies

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

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

Cost accounting

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

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

Leasing

Leasing agreements where the lessor, in every significant respect, retains the economic risks and benefits associated with ownership, are classified as operational leasing. The company's leasing agreements are almost exclusively operational leasing agreements and it reports all leasing agreements as operational leases in accordance with the exemption in RFR 2.

Lessees

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

Income tax

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

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

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

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

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

Deferred tax liabilities are not reported for legal entities, due to the link between accounting and taxation and are, instead, reported as part of the untaxed reserves to which they are attributable. Untaxed reserves are reported in the Balance Sheet and the change is reported as transfers to/from untaxed reserves in the Income Statement.

Information on related parties

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

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

Tangible fixed assets

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

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

Intangible assets

Additional development costs, for example for business systems, have been carried as expenses since 2012 in accordance with the exemption in respect of IAS 38.57 in RFR 2.

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

Depreciation

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

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

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

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

Write-downs

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

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

Remuneration to employees

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

Defined benefit pension plans

The company has collective agreement-based defined benefit pension plans, which means that the company has an undertaking to disburse the agreed remuneration to current and former employees of Systembolaget and that the company, in every significant respect, carries the actuarial risk and the investment risk. The actuarial risk is the risk that the remuneration will cost more than expected and the investment risk is the risk that the assets invested will prove insufficient to provide the expected remuneration.

In 2014, Systembolaget and the trade union parties reached an agreement whereby employees with more than five years left to retirement were, as of 1 November, covered by the collectively agreed ITP occupational pension plan. Historically earned benefits for the employees were converted to an ITP benefit, and parts of the pension liability were consequently valued on PRI's actuarial grounds, rather than the Swedish Securing Pension Commitments Act, as prescribed by the Swedish Financial Supervisory Authority. The difference in valuation grounds has resulted in a reduction in the pension liability.

Pensions to employees who have retired and former employees (annuity holders) are secured by KPA Pensionsförsäkring AB (publ.). The defined benefit pension plans are mainly secured within pension funds, but are also through provisions made in the Balance Sheet and, to a limited extent, through insurance premiums.

Systembolaget's defined benefit pension undertakings are reported in accordance with the simplification rule in RFR 2 and are calculated in accordance with the Swedish Securing Pension Commitments Act and directives issued by the Swedish Financial Supervisory Authority and on PRI's grounds. Application of the provisions of the Swedish Securing Pension Commitments Act is a prerequisite for fiscal deductibility.

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

Defined contribution pension plans

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

Severance payments

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

Financial instruments

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

Recognition in and elimination from the Balance Sheet

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

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

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

Valuation

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

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

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

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

Classification

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

Financial assets valued at fair value via the Income Statement

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

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

Loan receivables and accounts receivable

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

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

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

Financial liabilities valued at amortised cost

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

Liquid assets

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

Net profit and net loss

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

Financial instruments

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

Inventory

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

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

Provisions

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

Contingent liabilities

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

Cash Flow Statement

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

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

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

Events after the balance sheet date

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

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

Proposed appropriation of profits and signatures

The Board of Directors proposes that the profits available for allocation, comprising SEK 1,179,970,900, be appropriated as follows:

Dividend (SEK 803.2 per share)	289,158,214
Carried forward	890,812,686
Total	1,179,970,900

It is proposed that the dividend be disbursed on 9 May 2017.

The Board of Directors is of the opinion that the proposed dividend payment is justifiable with reference to the requirements laid down in chapt. 17:3, §§ 2 and 3 of the Swedish Companies Act, and with reference to the requirements that the nature of the operations, their scope and their inherent risks make of the shareholders' equity in the company. The dividend payment is also deemed justifiable from the point of view of 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 result. 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 RFR 2 Reporting for legal entities, and that they provide a true and fair view of the performance of the company operations, their position and their result, and that they describe significant risks and uncertainty factors faced by the company.

Stockholm, 23 March 2017

Kenneth Bengtsson
Chairman

Thord Andersson
Member

Viveca Bergstedt Sten
Member

Robert Damberg
Member

Pia Fagerström
Member

Christer Fritzon
Member

Frida Johansson Metso
Member

Håkan Leifman
Member

Kerstin Wigzell
Member

Berit Morén
Employee Representative

Maria Nilsson
Employee Representative

Magdalena Gerger
President

Our audit report was submitted on 23 March 2017

Ernst & Young AB

Åsa Lundvall

Audit Report

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

Report on the Annual Accounts

Opinions

We have audited the annual accounts of Systembolaget AB for the 2016 financial year. The company's annual accounts are presented on pages 70-124 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and the International Financial Reporting Standards, as adopted by the EU, and present fairly, in all material respects, the financial position of Systembolaget as of 31 December 2016 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act and the International Financial Reporting Standards, as adopted by the EU.

A corporate governance report was prepared in accordance with the "Government's ownership policy and guidelines for state-owned companies". The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts. We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for Systembolaget AB.

Bases for opinions

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 company's responsibility report contains information other than that contained in the annual accounts and is presented on pages 1-68 and 130-143. This other information is the responsibility of the Board of Directors and the President.

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 misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for the preparation and fair presentation of annual accounts in accordance with the Swedish Annual Accounts Act and the International Financial Reporting Standards, as adopted by the EU. The Board of Directors and the President are also responsible for the internal controls that they deem necessary for preparing annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the President;
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the President of Systembolaget AB for 2016 and the proposed appropriation of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the parent company's equity, consolidation requirements, liquidity and position in general..

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the President in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- has in any other way acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss are based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning

discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Stockholm, 23 March 2017

Ernst & Young AB

Åsa Lundvall

Authorised Public Accountant

Review Report in respect of the Annual Accounts

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

On behalf of the Swedish Parliament's Board of Administration, we have examined the administration and internal controls of Systembolaget AB in the 2016 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, 23 March 2017

Lennart Axelsson

Jörgen Hellman

Maria Plass

Review Report in respect of the Sustainability Report

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

Introduction

We have been engaged by the Board of Directors of Systembolaget AB to perform a limited assurance engagement related to Systembolaget AB's Sustainability Report for 2016. The company has limited the scope of the Sustainability Report to those areas specified in the GRI Index.

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 under the heading, About the 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 limited assurance engagement has been performed in accordance with the FAR SRS (the institute for the accountancy profession in Sweden) recommendation, "RevR 6 Assurance of Sustainability Reports". A limited assurance engagement consists of making enquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. The orientation and scope of a limited assurance engagement differs from and is considerably less than the orientation and scope of an audit engagement conducted in accordance with the IAASB standards for auditing and quality control and with generally accepted auditing practices. The 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. The review activities conducted in conjunction with a limited assurance engagement do not enable us to state with the same level of assurance that we were made aware of all of the important circumstances that could have been identified in conjunction with an audit, and the conclusion based on our limited assurance engagement consequently does not provide the same level of assurance as a conclusion based on an audit.

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 limited assurance engagement is sufficient and appropriate to enable us to provide a basis for the opinion expressed below.

Opinion

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

Stockholm den 23 mars 2017
Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Marianne Förander
Executive Director, Climate Change and Sustainability Services

About our Responsibility Report

The Responsibility Report integrates our annual accounts and our Corporate Governance Report with our Sustainability Report. Systembolaget shall, as a State-owned company, prepare a Sustainability Report in accordance with GRI, the Global Reporting Initiative. We have done so in accordance with GRI G4.

Systembolaget shall, as a State-owned company, and in accordance with the Government-approved guidelines for external reporting, prepare a Sustainability Report in accordance with GRI, the [Global Reporting Initiative](#). Systembolaget has elected to report in accordance with GRI's "Core" option. GRI is a global network that issues a framework with guidelines for sustainability reporting. This is now the ninth year in succession that Systembolaget has reported in accordance with GRI guidelines and this year's report was prepared in accordance with the GRI's G4 guideline. The most recent report was published on 31 March 2016. This report has been subject to review by Systembolaget's external auditors. See the Auditor's [Review Report in respect of the Sustainability Report](#).

The financial reports for 2016 comprise Systembolaget AB only, while the Sustainability Report for the 2015 operational 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 sustainability areas at company level. In cases where the GRI guidelines encourage reporting per region, therefore, the region corresponds to Sweden as a whole.

We have reported 11 indicators and 10 company-specific key performance indicators this year. The S03 indicator has been removed from this year's Report due to difficulties in linking it to Systembolaget's anti-corruption work. The internal audit conducted annually focuses on different significant areas for Systembolaget in different years, and not solely on the anti-corruption work. Measurement and calculation methods are, where necessary, described in conjunction with the respective indicator. The compilation and quality assurance of the indicators is conducted by Systembolaget's GRI Coordinator. Target figures and comparative figures are reported, where relevant. All monitoring data for our carbon dioxide emissions is, as was the case in 2015, calculated in line with the Green House Gas Protocol (GHG protocol). Any amendments to comparison figures from previous years' reports are noted under the indicator in question.

Contact person at Systembolaget

Press & Information Manager, Lennart Agén, tel (switchboard): [08-503 300 00](tel:08-50330000)

Glossary

ANDT – the ANDT Council

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

Alcohol Index

The Alcohol Index is a combined measurement of people's attitudes to alcohol in different situations. The higher the index on a scale of 0-100, the more moderate the attitude to alcohol. The Alcohol Index is generated using the responses to nine questions on what people think is right and wrong when it comes to alcohol. The questions are put to 2,000 people aged 16 and above once a year. Data collection is carried out by Novus.

Alcohol 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 tax

Alcohol tax is an excise duty levied by the Government. Changes to the alcohol tax rate affect both Systembolaget's income and its cost of goods sold, and changes to the alcohol tax rate consequently have no effect on the trading margin.

Average number of employees

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

Average number of shares

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

CAN

The Swedish Council for Information on Alcohol and Other Drugs.

CFI

Claes Fornell International CFI AB.

Capital employed

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

Complex supply chain

Systembolaget buys products from around 100 different countries. We always buy via Swedish suppliers – currently around 700 in number. Our suppliers often have subcontractors/producers who may, in turn, have subcontractors of their own. It is not uncommon for a producer to have as many as tens of different farmers linked to their operations, or for raw materials to be purchased as semi-finished goods for combination into a finished product – which is then bought in by us.

Cost-effectiveness

Cost-effectiveness is calculated from the ratio between total overheads (adjusted for non-recurrent items), SEK 3,445 m, relative to quantities sold (number of packagings sold weighted for the respective product groups' estimated processing time). $486.7 \text{ pcs} = 7.1$. This key ratio is an objective set in the Owner's Instructions for Systembolaget.

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

Dividend per share

Proposed/disbursed dividend divided by the average number of shares.

Earnings per share

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

Equity/assets ratio

Adjusted equity, SEK 1,646.4 m, as a percentage of the Balance Sheet total. $\text{SEK } 5,871.2 \text{ m} = 28.2 \text{ per cent}$. The equity is adjusted for the standard tax rate, 22 per cent, on untaxed reserves. This key ratio is an objective set in the Owner's Instructions for Systembolaget.

Financial position

Total shareholders' equity on the closing day.

GRI – Global Reporting Initiative

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

Global Compact

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

Incident management

The term, incident management, refers to a systematic approach to working with suspected breaches of our Code of Conduct on the part of producers. We may be made aware of incidents via a number of different channels, both internal and external, and they are not limited to any identified "at risk country" or product range from which the product in question derives.

Income/net sales

Income/net sales comprises income from goods sold and service provided that form part of Systembolaget's core operations.

Informed choice

For us, working to promote informed choice means offering products with a lower alcohol content and in smaller packs, and products that take into account environmental considerations and working conditions in the supply chain.

Operating margin excluding alcohol tax

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

Operating margin including alcohol tax

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

Operating profit

The operating profit is calculated from the gross profit, SEK 3,591 m, plus other operating income, SEK 6 m, and less operating expenses, SEK 3,380 m = SEK 217 m.

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 TNS Sifo to conduct the survey. A total of 750 randomly selected individuals aged between 15 and 74 are interviewed every month. The Opinion Index is measured and reported 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 21 April 2016.

Performance culture

Performance culture measures the extent to which employees feel that their job provides the conditions that enable them to perform (want, know, can, may and should) and the individual's perception of the way in which their basic requirements are met. Measured once a year by means of a company-wide employee survey.

Profit maximisation

When the primary purpose of an organisation's operations is to generate the maximum possible profit for the owner.

Proof of age checks

The proof of age checks measure how often proof of age was requested as a percentage of the total number of control purchases. The control purchases are carried out by people aged between 20 and 24. Systembolaget commissions Better Business to carry out these checks. A total of just over 5,800 control purchases are made every year in stores and from agents, with approximately 600 of these purchases made from agents. Proof of age checks are carried out daily and are reported every month.

Qualitative and quantitative sustainability assessment

There are a large number of sustainability initiatives and certifications operated by other parties within our supply chain and which we are keen to take into account and include in our assessment of a producer's sustainability maturity.

Our qualitative assessment takes into account other sustainability initiatives that are deemed to be in line with our Code of Conduct. Producers who implement these initiatives are not systematically monitored by Systembolaget.

Our quantitative assessment examines the number of certifications and audits that other customers have made of the producer in question where we have a systematic risk assessment model.

Reduced climate impact

The figure refers to the reduction in the climate footprint of Systembolaget's operations. The goal comprises emissions from packaging, electricity consumption and internal trips, and the baseline value in these areas is 165,144 tonnes of carbon dioxide equivalents with 2014 as the base year. The reduction in climate footprint is measured once per year.

Return on shareholders' equity

The operating profit/loss for the period (rolling, 12 months) of SEK 289.2 m, as a percentage of the average adjusted shareholders' equity of SEK 1,651.1 m = 17.5 per cent. Shareholders' equity is adjusted for the standard tax rate, 22 per cent, on untaxed reserves. The average is calculated on the basis of the adjusted shareholders' equity on 31 December 2015, SEK 1,645.8 m, and on 31 December 2016, SEK 1,656.4 m. This key ratio is an objective set in the Owner's Instructions for Systembolaget.

Shareholders' equity per share

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

Stock turnover rate

Purchase value divided by the average stock value at retail price.

Supplier Quality Index – SQI

The Supplier Quality Index is a jointly weighted index of a number of quality parameters of significance to achieving customer benefit.

Total sick leave

The total sick leave is measured using the Swedish National Financial Management Authority's definition and measures hours lost to sick leave in relation to the total number of available working hours during the same period.

Trading margin excluding alcohol tax

Gross profit as a percentage of income excluding alcohol tax.

Trading margin including alcohol tax

Gross profit as a percentage of income including alcohol tax.

“At risk countries”

Systembolaget applies a global “at risk country” analysis from Verisk Maplecroft. The analysis covers 99 countries whose products are included in Systembolaget’s range. The analysis weights and summarises the following three primary indicators to produce an overall risk assessment ranking of between 0 and 10 (where 0 is the highest risk and 10 is the lowest risk):

- Country Risk, which comprises seven indicators
- Industry Risk
- Commodity Risk

“At risk countries” meet at least one of the following parameters:

- The country’s combined risk indicator value is less than 50.
 - The country’s risk indicator value for at least one of the seven indicators included in Country Risk is lower than 2.5.
 - The country’s risk indicator value for at least one of the three primary indicators (Country Risk, Industry Risk and Commodity Risk) is lower than 2.5. The global “at risk country” analysis is updated every three years. The World Bank’s “at risk country” list is used to analyse countries added to the producer list during the intervening period. This “at risk country” list also forms the basis for identification of high risk countries in accordance with the following definition: a high risk country is a country with a rating that is less than 20% in accordance with the World Bank’s “at risk country” list.
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List of references

We refer, in the Responsibility Report, to the following reports, articles and websites.

1. [Indirekta kostnader för samhället/Potential consequences of replacing a retail alcohol monopoly with a private licence system results from Sweden](#)
2. [Alkohollagen](#)
3. [Age at drinking onset and alcohol dependence](#)
4. [Varför är valborg en riskhelg. Länk till Polisens hemsida.](#)
5. [CAN-undersökning. Många unga skulle låta bli att dricka om närstående slutade långa](#)
6. [Faktaundersökning TNS Sifo – Alkohol kvinnor & män](#)
7. [Global, regional, and national comparative work assessment of 79 behavioural, environmental and occupational, and metabolic risks or clusters of risks in 188 countries, 1990–2013: a systematic analysis for the Global Burden of Disease Study 2013.Global, regional... assessment](#)
8. [Waern et al. Age and Ageing 2014](#)
9. [Alkoholen som samhällsproblem](#)
10. [BSCI uppförandekod 2015](#)
11. [ServiceScore](#)
12. [SOU 2014:58 Privat införsel alkoholdrycker](#)
13. [C-198/14 Visnapuu “Alkotaximålet”](#)
14. [SCB – Sveriges befolkning ökar – men inte i hela landet](#)
15. [SCB – Urbanisering – från land till stad](#)
16. [SCB – Dagens urbanisering – inte på landsbygdens bekostnad](#)
17. [SOU 2015:35 Service i glesbygd](#)
18. [Svenskarna och internet](#)
19. [Ek dr Malin Sundström, Dr Pernilla Jonsson och Patrik Stoopendahl – Köprevolutionen](#)
20. [Handelsrådet](#)
21. [Mediehuset Schibsted Sveriges bästa företag](#)
22. [Mediehuset Schibsted miljö och innovation](#)
23. [MedieAkademien – Förtroendebarmetern](#)
24. [CAN monitorundersökning](#)
25. [Promemorian Reglering av distanshandel med alkoholdrycker](#)
26. [Regeringen – Alkoholhaltiga preparat avsedda för förtäring och vissa marknadsföringsfrågor](#)
27. [100-wattaren](#)
28. [boverket Vision för sverige](#)
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Manuscript for the “Our complex supply chain” film

Systembolaget has different supply chains for different products. The chain for some products is easy to follow:

Here we have Systembolaget, which always buys in a bottle of wine from ...

... a Swedish supplier who, in this case, has bought the wine from a ...

... wine producer. In this straightforward case, a single producer has done the entire job – grown and pressed the grapes, fermented the must, and blended and bottled the wine. The vineyard is both owned by and in the same location as the winery. Simple!

But, truth be told, Systembolaget’s supply chain is usually a lot more complex than that.

Like this, for example. Here we have Systembolaget, which still buys in wine from ...

... a Swedish supplier who, in this case, has imported the wine via ...

... a bottling plant in Germany, for example. But the finished wine comes from ...

... an Italian company that buys in and blends bulk wines from different producers. In this particular case, the Italian company buys wines from two different producers ...

... namely, a corporate group of six wine producers, three of whom produce the wines used in this particular wine ...

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

And that takes us all the way back from the bottle in Systembolaget’s store to the vineyards.

As you’ll appreciate, keeping track of our entire supply chain and ensuring decent working conditions for everyone throughout the chain can be challenging. But it’s very important to us that we do.

Systembolaget has a code of conduct with which everyone in the supply chain must comply.

And every operator is responsible for ensuring compliance with the Code of Conduct back up the chain.

This allows us to reach all the way back to the people working in the vineyards.

And to make sure everything is as it should be, we carry out checks on producers in countries where the risk of bad working conditions is high.

This is how we are working to move one step closer to decent, fair working conditions for all. All the way from grape to glass.

Manuscript for the “Climate-friendly packaging” film

Did you know that there’s one thing at Systembolaget that affects the climate more than anything else? It’s the packaging that the drinks come in. And some of them have a bigger impact than others.

Really heavy, non-returnable glass bottles have the biggest impact. All of our other packaging types – cans, PET, tetra, bib, recyclable glass, and lightweight glass bottles – are at least one order of magnitude better for the environment.

The thing about glass is that it takes a lot of energy to manufacture it, and it produces emissions that our planet doesn’t really like. And the heavier the bottles manufactured, the greater the emissions.

That having been said, we know people like glass bottles. Which is why, for the sake of the planet, we offer and label lightweight glass bottles made from smaller amounts of glass.

If Systembolaget, working in partnership with all our fantastic drinks suppliers, producers, and customers, can focus on climate-friendly packaging, then together, we can make the world a better place – one packaging at a time.

And the icing on the cake? It’s the fact that lightweight glass bottles are just as good as the heavier ones.

Do they affect the flavour? Nope

Are they just as good for laying down wine? Yup

Does the wine keep as long? Absolutely

But doesn’t the bottle break more easily? Actually, no.

The only difference you’ll notice? It’s a lighter bottle to carry home.

Lightweight glass bottles and other climate-friendly types of packaging are the best chance we have of reducing our climate footprint. We want to do more, but we have to start somewhere. Together, we can bring about a change for the better. One little step at a time.

Manuscript for the “Our purchasing process” film

Systembolaget has a wide range of drinks available in its stores and at systembolaget.se. And as we’re sure you’ve noticed, the range changes at regular intervals. So what actually determines which bottles, cans, and boxes end up on the shelves in our stores? Actually, it’s you – the customer.

Our purchasing process begins with an analysis of the world outside Systembolaget. We look at what our customers are interested in, examine international trends and restaurant sales, etc., and then see how our existing range corresponds to our findings. We visit trade fairs and talk to suppliers to gain an overview of the sort of products that are available and in demand – and not just in Sweden. A strong health trend, for example, can result in us buying in products with a lower alcohol content and in small packaging, while a demand for slightly more luxurious drinks will mean we increase the number of exclusive products that we buy in.

Once we know what our customers are interested in, we draw up a launch plan in which we describe the sort of products we are looking to buy in in the months ahead. This enables our suppliers to start thinking about what they might offer our shared customer base.

The next stage is a more concrete one and involves us putting out requests for tender in which we specify such factors as country of origin, price band, flavour types, packaging and alcohol content, etc. The suppliers who submit tenders that match the description are then asked to submit product samples.

And because we want to ensure that all of our products are produced responsibly – that they show consideration for both people and the environment – we include our Code of Conduct in all of our supplier contracts.

The arrival of the samples triggers the start of a comprehensive and wide-ranging process. All of the drinks are compared with the parameters we set in the request for tender – a process involving some highly precise routines. Our selection is made on a completely brand-neutral basis. Style and taste are determined by means of blind tastings, which means that the tasters know nothing about the brand, supplier or producer, allowing them to focus exclusively on the quality of the product and how well it corresponds to our requirements. All of which guarantees that our suppliers and products all have the same chance of being accepted and are all treated the same, which is not only very important to us – it is an EU requirement. We sometimes taste almost 100 different drinks, but only the best – the ones that correspond most closely to the style requested and which are the highest quality – are bought in.

Not quite all of the drinks you’ll find on our shelves are bought in like this. If, for example, we notice that a lot by our customers are ordering a particular drink, we’ll introduce it in one or more stores. Effectively, our customers vote the drinks in.

We also carry out wide-ranging quality control checks on bouquet and taste before the drinks hit the shelves, along with a chemical analysis in our in-house laboratory, to ensure that the products you find in our stores are the same as the ones that won the request for tender process. And finally, once we’ve done all of that, we launch the drinks in our stores and at systembolaget.se.

But we don’t stop there! Three months after every launch, we take sample bottles from our shelves and test them to make sure that there have been no changes in their quality or style. And even that isn’t the end of the purchasing cycle! It’s an ongoing process, involving continuous analyses of the outside world, evaluations, and dialogues with our suppliers on new drinks and flavours that our customers want.

The purchasing process is a never-ending one. It just keeps on rolling!

This is how we make sure that the products we offer are not just good: they’re the products you, the customer, want.