

SYSTEMBOLAGET

Different for a reason

Responsibility Report 2020

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The Board of Directors and the CEO of Systembolaget AB, company registration no. 556059-9473, hereby submit an annual report, including corporate governance report and sustainability report, for the financial year 2020.


In accordance with Chapter 6 Section 11 of the Swedish Annual Accounts Act, Systembolaget AB has chosen to prepare the statutory sustainability report separately from the annual report. The sustainability report is part of the sustainability statement and can be found on pages 4-8, 10-49 and 82-107 of this document. The sustainability statement has been subject to a combined review by the auditors.

Therefore, the legal annual report, which contains the Directors’ statement and financial reports, comprises pages 2-3, 9 and 50-81.

The year in brief

High demands were placed on Systembolaget's stores and depots during the year as the **pandemic** generated new requirements and purchasing behaviour. We have had to remind customers to keep their distance and spread out purchasing, during peak demand we have introduced a gating system to control customer entry into our stores and avoid congestion, while we have also recruited new employees to meet sales growth and cope with increased sick leave. And all with care for the health of our customers and employees in mind.

Göran Hägglund was appointed as the new Chairman of the Board at the Annual General Meeting on April 23rd.



Our new **online store** has opened. This will make it easier for customers to find information, order goods and choose their preferred delivery method. It is designed in our own different way.

The sales volume was 569 (512) million litres, and the increase is largely due to the fact that both restaurant visits and passenger imports of alcohol have been severely limited as a result of COVID-19. However, the vast majority of people state that their alcohol consumption has not changed during the pandemic.

We launched our new communication concept "**Different for a reason**" during the second quarter. We are using this to highlight the ways in which Systembolaget is different; through regulated opening hours, that we do not sell to persons under the age of 20 and that Systembolaget is there for everyone in Sweden and not just for those who choose to shop with us.

This year's **Alcohol Report** focused on alcohol and violence. The report presented a survey by SIFO showing that 82 percent of the general public and 92 percent of emergency services personnel believe that alcohol is a significant factor behind violence in society.¹

CUSTOMER SATISFACTION INDEX

81.9

OPINION INDEX

76.0

NET SALES, MSEK

36,737

AGE CHECKS

95.3%

KEY NUMBERS

	2020	2019
Customer Satisfaction Index (CSI)	81.9 ¹	85.1
Age checks, percent	95.3	95.1
Opinion Index	76.0	73.9
Return on equity, percent	27.9	15.5
Equity/assets ratio, percent	26.3	25.9
Total alcohol consumption, litres of pure alcohol per person aged 15 and over ²	8.7	8.8
Systembolaget's total share of alcohol purchases (percent) ²	67.2	65.6
Net sales, MSEK	36,737	32,211
Operating profit (loss), MSEK	542	229
Net profit (loss) for the year, MSEK	471	240

¹ The method of measuring this key figure changed during the year; see page 18.

² Reported with a one-year time lag.

Chairman's statement

My first year as Chairman of Systembolaget is now over. 2020 has been a different year in so many ways and the pandemic is obviously something that has had a huge impact on Systembolaget's priorities during it.

From my perspective, I have watched the company change its business operations in a rapid and solution-oriented way. A focus on the health and safety of our employees and customers has always been to the fore.

I would also like to emphasise that Systembolaget took the initiative at an early stage to measure the population's alcohol consumption during the pandemic. Naturally, this has been done in parallel with analyses of Systembolaget's sales and how other sources of obtaining alcohol were impacted during the pandemic. Systembolaget's sales have increased – largely due to the fact that visits to restaurants have dropped and passenger imports have fallen sharply. It is a valuable way to gain knowledge of the effects on consumption during an ongoing crisis in society. It is extremely important to monitor developments – not least from a public health perspective.

PROTECTING PUBLIC HEALTH

Alcohol is a product unlike any other. There are 320,000 children living in Sweden who have been harmed by a parent's alcohol consumption² and the annual social cost of alcohol is estimated to be as high as SEK 103 billion³. Systembolaget plays a vital role in the Swedish alcohol policy model. Our mandate is clear – to sell alcoholic beverages and alcoholic beverage-like substances with exclusive rights and with

responsibility and good service, and to inform about the harmful effects of alcohol. Systembolaget is the tool that limits accessibility, and our business aims to improve public health by limiting the harmful effects of alcohol in society. Our vital mandate and purpose is the starting point for everything we do.

It is precisely the balance between good service and the protection of public health that makes the chairmanship of Systembolaget so stimulating and interesting – to hold tight to these two perspectives right to the end.

STRATEGIC PLAN 2020–2023

2020 was the year when Systembolaget launched its new strategic plan, which runs until the end of 2023. The plan sets direction and objectives for areas prioritised by the company. The importance of engaging more people in reducing the harmful effects of alcohol, the shopping customer's experience of Systembolaget (the Systembolaget experience) and that the company has a goal of being a role model for sustainability are among the things emphasised. Systembolaget is present in every municipality in Sweden and has great potential to do even more as a participant in local society – in the strategic plan, we focus on our local presence and how we can become even more relevant at local level.

Being a role model in sustainability means that our responsibility applies not only to our own business – but also well beyond. Systembolaget actively works to meet and anticipate future sustainability challenges. These include doing our bit to strengthen human rights in the supply chain, enabling customers to make sustainable choices and the need to reduce our climate footprint. Regarding the last point, our owner also gave



us a new task in 2020 – to undertake an analysis of climate-related financial risks and opportunities. This is also an important step for linking to Agenda 2030 and its global goals.

GOVERNANCE AND TARGETS

The primary targets set for Systembolaget are its so-called mission targets – there are targets for the Customer Satisfaction Index, age checks and the Alcohol Index as well as for monitoring trends in alcohol consumption. Furthermore, Systembolaget's share of total consumption is also monitored. The Swedish state, our owner, also sets secondary targets. In this domain, we are measured on traditional key figures such as return on equity, cost efficiency and equity/assets ratio. However, it is important to point out that Systembolaget does not have a profit-maximising aim.

IMPORTANCE OF CONTINUED KNOWLEDGE

I have already briefly mentioned Systembolaget's important mission. Here I would like to particularly highlight the importance of research – where Systembolaget annually allocates ten million Swedish kronor to alcohol research. This is an extremely important source of knowledge that allows us to develop both preventive work and the design of our stores so we can ensure customers do not buy more than they intend. This was highlighted as a particular focus area for research applications in 2020.

With that said, I can only stress again that Systembolaget is different for a reason – we are there for everyone in Sweden and not just for those who choose to shop with us. Having the opportunity to be Chairman of this company is a delicate task, and I look forward to next year with confidence.

Göran Hägglund, Chairman of the Board

Systembolaget in brief

Employees: 6,445 - at least three in each municipality

Stores and agents: 448 stores and 481 agents

Active beverage suppliers: Approx. 800

Items: Approx. 18,200; 2,400 in Set Range, 2,500 in Local and Small-Scale Range and 13,300 in Order Range. In addition, approximately 3,000 temporary launches are made each year (seasonal and exclusive).

Customer visits to stores: 129.2 million

Visits to our digital channels: 74.9 million (systembolaget.se, omsystembolaget.se and our "Sök och hitta" app)

CEO's statement

During a year that has largely been shaped by the pandemic, I can state with a sense of pride that Systembolaget has taken great strides forward and created value for customers and society at large. I am pleased to say that the Swedish population has a high level of trust in us and that our customers remain satisfied with Systembolaget. The reason for this is that we are a company unlike any others - we are driven by an aim - to limit the harmful effects of alcohol.

I would like to begin with a few words about how Systembolaget has acted to deal with the social crisis we are now living through. The focus for us was on ensuring the health and safety of customers, the general public and our employees. This primarily involved reviewing the layout of our physical stores - where we installed plexiglass sheeting and made sure we had a gating system to control the number of customers in our stores, as well as rescheduling launches in Temporary Range to reduce the risk of congestion.

We have also worked diligently to remind customers to keep their distance and to think about when they visit us because we all need to work together to minimise the spread of infection. In parallel with this, we have closely monitored both our own sales and alcohol consumption in Sweden.

The pandemic has also affected purchasing patterns - we experienced a large increase in the number of home deliveries, which meant that capacity at our de-

pots and in logistics was tested. The number of home deliveries increased by almost 500 percent over the year, albeit from low levels.

HUGE INTEREST IN SALES AND CONSUMPTION

As a result, among other things, of an absence of travel, fewer people going to restaurants and the government ban on alcohol in restaurants and bars in the evening, there has been huge interest during the year in the products Systembolaget sells - and also in how consumption has been affected.

Systembolaget's sales volume has increased by 11.2 percent and we have seen an increase in sales among all product categories apart from alcohol-free. The increase in sales is largely due to the fact that obtaining beverages from other sources than Systembolaget has decreased. This has also led in turn to an increase in Systembolaget's sales and earnings.

In addition to sales trends, we have closely followed trends in consumption through the regular measurements that Norstat carries out on our behalf. During the period March-December, more people stated they had reduced their alcohol consumption than increased it. At the same time, the vast majority stated that their consumption habits were unchanged. However, it is important that we continue to monitor the group that states that they are drinking more now compared to before, as we know that alcohol is a risk factor in the crisis.⁴

RESPONSIBILITY AT ALL LEVELS

Systembolaget's mandate is to work for improved public health. Sweden is a pioneer in the alcohol area - we have an alcohol policy model based on limiting availability, price regulation and regulated marketing. This is fully in line with what the World Health Organization



(WHO) highlights as three keys for success in keeping alcohol consumption down.⁵ Sweden also has a tradition of having the courage to embark on preventive measures and to do so over the long term.

Systembolaget sells responsibly through its sales rules - we do not sell to persons under the age of 20, when we suspect alcohol is being bought for a minor or when the person making the purchase is noticeably under the influence of alcohol. We also provide information about the harmful effects of alcohol. Our mandate obviously guided development of our new online store that launched in the autumn. We are also a different store online and our important social mandate permeates everything we do. Our new online store has a wider range than in our physical stores, which creates greater choice for the shopping customer, regardless of where they live in Sweden. At the same time, we have designed the store in our own different way. The customer should never shop more than intended and

there is also a bin at the online store checkout allowing you to discard items from your basket – just as there is in our physical stores.

Systembolaget is part of the alcohol policy model stemming from a clear public health perspective. Systembolaget has exclusive rights in Sweden, and this applies both to physical stores and online. This has now been examined in the Patent and Market Court after Systembolaget decided to sue Winefinder och Winefinder ApS in early 2019. The judgement, issued in the autumn of 2020, found that Winefinder was conducting an illegal retail trade in Sweden and was thereby in breach of Systembolaget's exclusive right. We see this as a step in the right direction for achieving clarity in how the legislation in Sweden should be applied. We defend and uphold the Swedish alcohol policy model, which in turn protects public health.

The results from the Satisfied Customer Index show that Systembolaget continues to have very satisfied customers, which is of course something we are immensely proud of. Moreover, support for Systembolaget's exclusive right grew in comparison to 2019.

COOPERATION IS DECISIVE IN THE FIELD OF SUSTAINABILITY

Cooperation with various operators is a particularly important factor in sustainability work. Systembolaget has collaborated with the Nordic alcohol monopolies since 2009 and held a seminar on the important question of water during the autumn. The Nordic alcohol monopolies are also all members of amfori and we therefore share a common Code of Conduct. Through the beverage industry's Climate Initiative, Systembolaget is collaborating with the Swedish Brewers Association and the Swedish Wines & Spirits Suppliers

Association to reduce the climate footprint. Together, we enable those suppliers affiliated with the initiative to measure their climate footprint. The latest report from the initiative shows that 62 percent of the total packaging weight consists of recycled material – an increase of six percent.⁶

At Systembolaget, we are working to reduce environmental impact at the supplier level in a number of ways, including by mapping environmental problems, working for a transition to climate-smart packaging and meeting our customers' high demand for organic products. This year, 13.6 percent of our sales volume was organic.

Packaging accounts for the greatest climate impact for us and the beverages we sell. The biggest impact amongst our packaging comes from one of the most common, namely glass bottles. To make it easy for customers to make more sustainable choices, we are working on clear signage in both our physical stores and our online store.

WE ARE DIFFERENT FOR A REASON

An important part of our social mandate is to inform about the harmful effects of alcohol. We take this task very seriously. Our communication efforts are addressed at both the general public and narrower target groups. We launched our new communication concept, Different for a reason, in spring 2020. The aim of the new concept is to create an understanding of why Systembolaget exists. This is achieved by creating recognition and making it feel every day. Systembolaget is there for everyone in Sweden, not just those who shop with us.

Let me also take this opportunity to bring up the Teen-

age Phrasebook which our subsidiary IQ-initiativet AB issues every year. It is a particularly useful, specific tool that has the goal of giving advice and support to parents on how to talk to their teenagers about alcohol⁷. Over the year, IQ, whose mission is to work for a smarter approach to alcohol, has raised questions about, among other things, holiday habits and the attitude of Swedes to alcohol as well as re-launching its Booze podcast.

One ambition we have at Systembolaget is for more people to become involved in reducing the harmful effects of alcohol. An important initiative to this end is "Barndom utan baksmälla" which we run together with IQ and the children's rights organisations Bris, Childhood, Maskrobarn and Trygga Barnen. The aim of the initiative is to get more adults to act as if one suspects a child is falling ill. Another way we highlight the harmful effects of alcohol is through the annual Alcohol Report, which this year addressed alcohol, violence and insecurity⁸ – we hope, through the report, that more people will gain an in-depth knowledge of the harmful effects of alcohol and an understanding of the consequences these have for both the individual and society.

In conclusion, I would like to state that, despite an exceptional year, we have driven the business forward and achieved good results while at the same time offering considerable benefit to society and customers. And all our work has been rooted in care. This would not have been possible without all our employees – despite a tough year – really performing at the highest level. I would like to extend a big, warm thank you to every single one of you.

Magdalena Gerger, CEO

The world we operate in 2020

The world in which Systembolaget operates is changing rapidly. This means we constantly need to develop and update our working practices to achieve our vision. The following external factors had the greatest impact on our business operations in 2020.



IMPACTS OF THE CORONA VIRUS PANDEMIC

2020 was the year when everyday life was completely changed by the Corona virus pandemic and where Systembolaget's byword "care" became more important than ever. Measurements of alcohol consumption carried out by Norstat during the ongoing pandemic show that the vast majority of people have not changed their alcohol habits. The largest decrease in consumption was seen among persons aged 17 to 29, where 31 percent state that their alcohol consumption is lower compared to the previous year.

The pandemic has served as both a brake and an accelerator for our business operation and the services we offer.

Our customer encounters have been adapted with a focus on care; this was partly to reduce the spread of infection and partly to make our customers and employees feel safe. Some of the measures adopted:

- Introduction of new procedures for queueing.
- Installation of floor markings and plexiglass at store checkout tills.
- New product launches have been spread out across more days and more stores.
- New employees have been recruited to cover for illness and cope with the increased demand for home delivery and increased sales volume in stores. The pandemic has also affected customers' purchasing patterns. E-commerce and the number of home deliveries have increased sharply, which has meant challenges for depots and logistics.

Our change management has been delayed in many respects, although it has been accelerated in one part of our business – the development of a more digital

way of working. Some examples:

- Pilots for new offerings and tests have been launched later than planned, such as moving plastic bags behind the counter.
- Our new communication concept "Different for a reason" had to be moved from spring to summer.
- A large number of training sessions have been redesigned and implemented digitally.

Our collaboration with beverage suppliers and the monitoring of sustainability targets have had to adapt to the altered conditions and circumstances that our 800 beverage suppliers in Sweden, and all the producers they represent from right across the world, are wrestling with. Some of the adjustments we have made are listed below. More are described on page 45.

- External analyses and risk analyses have been expanded to discern needs and detect incidents, including a special evaluation of our work on human rights linked to the pandemic.
- Increased collaboration with local industry bodies and trade unions has been intensified for improved transparency.
- New ways of entering into a direct dialogue with producers, suppliers and workers have been introduced to provide closer communication.

EARNINGS TREND

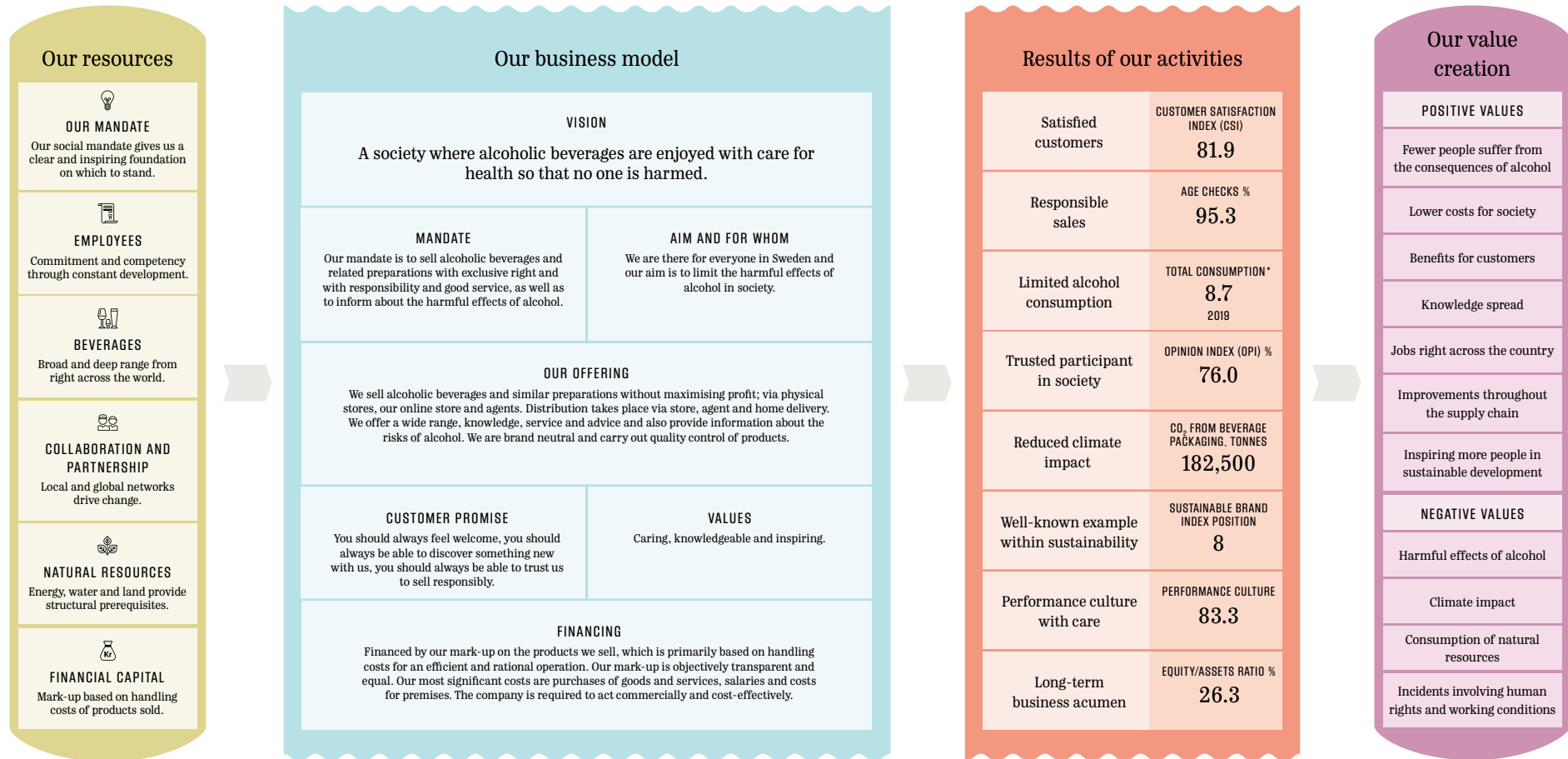
Systembolaget's sales revenue increased by 14.1 percent in 2020 and sales volume increased by 11.2 percent over the same period. The impact of the pandemic (with reduced travel and less frequent visits to restaurants) on our sales volume can be clearly seen. Our higher sales volume is therefore assumed to be

largely due to Systembolaget's share of total consumption having increased. See page 51 for more information on financial trends.

Uncertainty remains high ahead of 2021. Although our focus remains the same, caring at every step.

Value creation

We are both affected by the world we operate in and affect our surroundings. Our mandate means we contribute both positive and negative values. The model shows some of the most important outcomes and how we use our resources and our business model to increase our positive impact and reduce the negative.



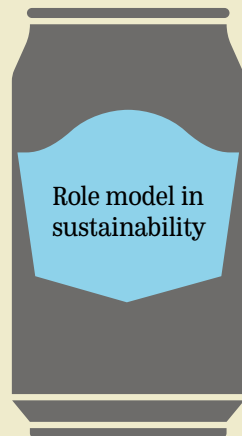
Our Strategic plan

Together, we have created a strategic plan that gives us a shared direction of travel towards 2023. The plan describes what we need to prioritise to achieve our targets. New insights and changed circumstances may mean the plan needs to be updated along the way.

STRATEGIC SHIFTS TO REACH OUR GOAL



A personal and innovative business with the best offer, service and genuine care.



A personal and innovative business with the best offer, service and genuine care.



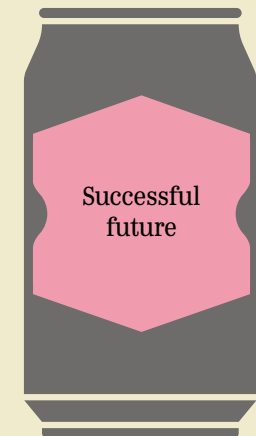
Systembolaget's and IQ's local presence creates increased value both within and outside stores.



The harmful effects of alcohol impact many people in society. Together with others, Systembolaget and IQ contribute to fewer people becoming ill.



Systembolaget is one of Sweden's best workplaces where we work even better together for our common vision.



Using our business acumen, we are constantly refreshing what is successful today in order to be successful tomorrow.

TARGET IMAGE

I am proud of Systembolaget and the difference it makes for everyone in Sweden!

Our route to success

Our two success factors are the engine that drives us forward. The two success factors are mutually reinforcing – employee commitment is crucial to customer satisfaction and pride in Systembolaget.



1

The customer and our customer pledge in everything we do

- We are there for everyone in Sweden – those who shop with us and everyone else.
- With genuine care, we focus on our customers.
- The Customers decide how good we are.
- The customer pledge is our everyday guiding star.



2

The strength of 5,000 people working together and with others

- Becoming the best I can be every day.
- We take responsibility for the big picture and get better together.
- United with others for a sustainable future.

OUR CUSTOMER PLEDGE

You should always feel welcome

- You are welcome no matter what your errand is or where you choose to meet us.
- We are here for you and show how happy we are to meet.
- We are attentive and committed – we do everything we can to help you in a straightforward and flexible manner.

You should always be able to discover something new with us

- The choice is yours – our entire offering is there to inspire you so that you can enjoy our drinks with care for both your health and that of others.
- We are curious and happy to share relevant knowledge with you in a way that suits you.
- We are brand neutral and our advice is individually tailored so you can make good choices.

You should always be able to trust us to sell responsibly

- Our sales rules exist out of concern for everyone's well-being and we always follow them.
- We do everything we can to make our offer sustainable, both for people and the environment.
- Our goal is for fewer people to be harmed by alcohol.
- We are happy to tell you why we exist and the difference we make.

Corporate governance and key figures

Monitoring and evaluating our key figures lets us check we are able to carry out our mandate and move towards our objective. Our owner the Swedish state sets us a number of goals, and it is clear that the primary ones are the mandate goals. According to our owner, the primary goal is the benefit to society. The secondary goal is for us to deliver a pre-determined return on investment over time as set by

the owner, which is monitored through a number of financial goals. The Board has also decided to link certain strategic key numbers to sustainable business. Several of our strategic key numbers and indicators are used for monitoring within our essential sustainability areas (see pages 17-49) or financial development (see pages 51-53).

Our strategic key numbers and indicators are reported below.

Strategic key numbers	Results 2020	Target 2020	Target 2023	Owner's target	Board's target	Targets for a sustainable business
Customer Satisfaction Index (CSI)	81.9	81.5	81.5	x	x	
CSI Sustainability	71.3	71.3	74.0		x	x
Opinion Index (OPI) (%)	76.0	≥ 76.5	≥ 76.5		x	
Age checks (%)	95.3	96.0	96.0		x	
Carbon dioxide emissions from beverage packaging, tonnes	182,500	165,800	152,300		x	x
Carbon dioxide emissions from distribution, tonnes	15,000	–	Reduction		x	x
Performance culture (%)	83.3	82.5	85.0		x	
Foreign background (%)	13.3	14.3	21.1		x	
Total sick leave (%)	5.9	4.5	4.3		x	
Equity/assets ratio (%)	26.3	20-30	20-30	x		
Return on equity (%)	27.9	8-9	8-9	x		
Cost-effectiveness	2.3	≤ 2.3	≤ 2.3	x		
Strategic indicators¹	Results 2020			Owner's target	Board's target	Targets for a sustainable business
Alcohol Index ²	63.4			x	x	
Total consumption (litres per person) ³	8.7			x	x	
Systembolaget's share of consumption (%) ³	67.2			x	x	
Sustainable Brand Index	# 8				x	x

1. Strategic indicators also monitored by the owner, but not targeted

2. The alcohol index is targeted in the owner's instructions

3. Reported with a one-year time lag

Materiality analysis

As a company, Systembolaget wants to put the most effort where we can make the biggest difference. Therefore, our sustainability work is based on an analysis of what is most important to our stakeholders and in which areas we have the greatest impact on sustainable development. The materiality analysis is updated annually and gives us a clearer strategic direction towards the global goals and Agenda 2030.

The basis for the materiality analysis lies in dialogues with our most important stakeholders; customers, employees, owner, suppliers and other key players in society. Systembolaget postponed its largest annual stakeholder survey due to COVID-19. Instead, we have supplemented the previous year's survey with other surveys, such as the consumer survey "Sustainable Brand Index 2020"⁹ as well as with ongoing external analyses and dialogues (also see page 84).

This year's results show some shifts in our sustainability topics. The area of recycling and recycling has been broadened to deal with circular solutions. More weight has been placed on combating bribery and corruption. The importance of product quality and safety is not considered to have increased so much that it can be classified as a material sustainability topic, although it remains under surveillance.

CONTRIBUTIONS TO THE UN'S GLOBAL GOALS

To identify the most relevant global goals, an analysis was made in 2019 that showed that Systembolaget has a strong impact on 11 of the goals and 20 of the sub-goals, as well as some impact on all 17 global goals and at least 55 of the sub-goals.

The material sustainability topic "limiting the harmful effects of alcohol" sits at the core of Systembolaget's social mandate and clearly links to goal three "Good



We have identified which global goals our essential sustainability areas are directed towards. They are reported under each respective section.

health". We focus in particular on the UN's global sub-goal 3.5, which concerns strengthening efforts to prevent and treat harmful alcohol use. To give this area extra focus, it has been given a central place in Systembolaget's overall strategic plan and is therefore not included as part of our sustainability strategy.

BASIS FOR THE SUSTAINABILITY STRATEGY

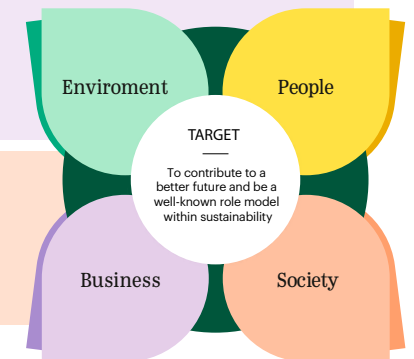
The materiality analysis forms the basis for our sustainability strategy, where the overall goal is that we contribute to a better future and are a well-known role

model within sustainability. The sustainability strategy is divided into four areas – environment, people, society and business – and contains strategic sustainability goals to be achieved by 2023 and 2030. The goals are set based on the UN's global goals and apply to both Systembolaget's offering and the business operations we conduct. The work within each respective material sustainability topic is directed towards one or more of the strategic sustainability goals. We thereby make sustainability a natural and fully integrated part of our entire business operation.

Strategic sustainability goals for a sustainable offering

We have a large impact on sustainability. Our impacts are both direct and indirect and are present in all parts of the value chain in Sweden and those countries from where we purchase items. Our goals for a sustainable offering extend to 2030. The goals for 2023 show what strategic shifts we intend to make.

	TARGET 2030	TARGET 2023
Environment To ensure that our range is produced without negative impact on air, water, soil, natural resources, flora, fauna.	<ul style="list-style-type: none"> The climate impact has decreased significantly in our supply chain and all beverage transports to and from Systembolaget are fossil-free. Cultivation and production take place with sustainable use of resources and with minimal emissions and discharges to air, soil and water. 	<ul style="list-style-type: none"> All our purchased beverage transports are fossil-free. Reduce net CO₂ emissions from distribution to stores. All items in our range are included in our risk analysis and we set requirements in our supply chain based on specific environmental risks. 10% reduction in climate footprint from packaging (equivalent to approx. 15,000 tonnes of CO₂). The most sustainable products shall be identified and communicated to customers, including a continued high proportion of organic items, to facilitate and inspire customers to make sustainable choices.
People To ensure good working conditions in the supply chains.	<ul style="list-style-type: none"> Everyone working in the supply chains behind the products we offer enjoys good working conditions. 	<ul style="list-style-type: none"> All items in our range are included in our risk analysis and we set requirements in our supply chains based on specific risks to working conditions and human rights.
Business To work to counter corruption and enable long-term sustainable business through sustainable purchasing processes.	<ul style="list-style-type: none"> Our entire range is sustainable according to the above goals and, together with others, we make it possible for all stakeholders to conduct ethical and sustainable business. 	<ul style="list-style-type: none"> Our entire range is traceable. We have a quality-assured and sustainable purchasing process. All suppliers and producers in Set Range have confirmed compliance with our Code of Conduct.
Society To contribute to local societal benefits in our sourcing countries.	<ul style="list-style-type: none"> All items in our range are included in our risk analysis and we set requirements in our supply chains based on specific risks to working conditions and human rights. 	<ul style="list-style-type: none"> Everyone who works in the supply chains behind the products we offer has good working conditions.



Strategic sustainability goals for a sustainable business

We have a large impact on sustainability. Our impacts are both direct and indirect and are present in all parts of the value chain in Sweden and those countries from where we purchase items. Our goals for a sustainable business extend to 2030. The goals for 2023 show what strategic shifts we intend to make.

		TARGET 2030	TARGET 2023
Environment	To be a fossil-free and circular business.	<ul style="list-style-type: none"> • Operations, transport and travel are fossil-free in our own business and all material flows are circular. This means we use manufactured material for as long as possible and reuse/recycle as far as possible. 	<ul style="list-style-type: none"> • Systembolaget’s direct climate impact is zero (this includes purchased electricity, refrigerants and company vehicles/personal company cars). • We have significantly reduced CO2 emissions from our business trips. • We have reduced the total amount of waste from the business and recycle everything as far as possible.
People	To offer an inclusive and attractive workplace for everyone.	<ul style="list-style-type: none"> • We care about our employees’ health, offer good terms of employment and opportunities for continuous skills development. We are one of Sweden’s most attractive employers. 	<ul style="list-style-type: none"> • We welcome and include people with different backgrounds and experiences, which broadens our skills base. We accurately reflect the differences in society. • Performance culture – overall index of 85, index of 88 within “inclusive climate”. • The proportion of employees with a foreign background is 21%. • Gender equality 60/40 at company level.
Business	To always act and conduct business in an ethically responsible manner.	<ul style="list-style-type: none"> • We work to counter all forms of corruption and are a role model in both our internal and external work. • We have a completely transparent and sustainability-assured purchasing process where compliance with our Code of Conduct is secured in all the Company’s agreements. 	<ul style="list-style-type: none"> • We have a data ethics perspective as regards the processing of personal data. • The Code of Conduct is included in all the company’s agreements and we actively work on risk-based monitoring. • Product/service-specific sustainability requirements are set in all agreements based on the impact on people and the environment.
Society	To contribute to local societal benefits in and around our stores.	<ul style="list-style-type: none"> • We are a clear force for increased inclusion and reduced exclusion in local communities. 	<ul style="list-style-type: none"> • We contribute to local societal benefits through our nationwide business. • We are good role models within and outside Systembolaget stores and contribute to a vibrant and more inclusive local community.

Material Sustainability Topics

- An Introduction

Systembolaget is a specialist retailer with a unique opportunity to contribute to a more sustainable world. How can we achieve this? Engaging our employees, working in a structured manner, having long-term ambitions and always maintaining focus on our mandate are some of the key factors for success in this endeavour. Working together, we can support informed choices and sustainable behaviours – both internally in partnership with our suppliers and during our encounters with customers.

NEW WAYS TO SHOP BUT WITH THE SAME FOCUS

Although our stores may look like any other from the outside, our mandate sets us apart from other specialist retailers. Our aim is not to maximise profit. Rather, we exist to protect public health. This means, for example, that we never seek to increase sales through advertising specific products. Nor do we offer bulk discounts or special offers.

Our customers must always be able to trust us to sell responsibly and in accordance with the Alcohol Act¹⁰, regardless of whether the purchase takes place in a store, online or via home delivery. In 2020, we developed new ways for our customers to shop in an informed manner:

New online store and app – in our own unique way

In October, we welcomed customers to our new online store, systembolaget.se. We run the online store in our own unique way as we never want to entice the customer to buy more than intended. A “bin” at online checkout is used in exactly the same way as in our physical stores. The Systembolaget app has also been modernised. Customers shopping online are able to choose from a wider range than in one of our physical stores, while they can also learn more about a particular beverage and get advice via an online chat feature. The ambition is to give customers the same experience online as in our physical stores.

Continued roll-out of home delivery – in our own unique way

In 2019, the Swedish Parliament decided to make home delivery a permanent part of Systembolaget’s business operation. The background to this decision were the changes under way in society and alterations in purchasing behaviour with more people opting to shop online. During the spring of 2020, roll-out of home delivery therefore expanded to areas in the Mälaren valley region. The goal is for home delivery, which still only takes place based on our mandate for responsible sales, to be available nationwide by 2021. The pandemic has affected purchasing patterns such that we have experienced a large increase in the number of home deliveries during the year. This has also meant that we have identified an increased need for driver training (also see page 23 on age checks) as we place age checks and our other sales rules at the top of our agenda.

Our non-alcoholic range – better matching

Systembolaget’s goal is for more customers to discover and see the value of our non-alcoholic range. We want to get the idea across that alcohol is not the be all and end all when matching food and beverage. To this end, during 2020 we have worked on better labelling and searching as regards matching food and non-alcoholic beverages. We also developed our non-alcoholic range through regular news launches and by securing non-alcoholic alternatives for the traditional types of beverage in our various segments. The number of social functions held in 2020 decreased due to the pandemic. We believe this is one reason why sales of non-alcoholic beverages in Systembolaget’s stores fell by 15% compared with the volume in the previous year.

RAISING KNOWLEDGE AND SUSTAINABLE RECOMMENDATIONS

Systembolaget continuously works to conduct its business operations in a manner that is exemplary from a perspective of sustainability. We strive so that sustainability permeates our entire business, from encounters with customers to our own operations, purchasing and production. Internal conditions to create a sustainable customer encounter, based on exemplary work with business sustainability, need to be secured. Therefore, in 2020, we have implemented a programme to raise knowledge about sustainability throughout our organisation.

E-learning about sustainability for all employees

At the beginning of the year, all employees underwent an e-learning programme about sustainability with subsequent discussion in related business groups.

Set topic at all monthly in-store meetings

A relevant sustainability issue is always raised at the monthly in-house meeting in every store to build knowledge and generate dialogue.

Activity programme for senior management

Systembolaget's senior management has undertaken an in-depth activity programme on sustainability.

Store workers recommend a sustainable option

Our store workers have an absolutely central part to play in helping customers choose sustainable options. During the year, we clarified guidelines and raised the ambition for sustainability in our physical encounters with customers based on a clear ownership directive from the Cabinet Office. When the opportunity arises, a sustainable choice must always be recommended as one of several options.

LABELLING LEADS THE WAY TO SUSTAINABLE CHOICES

We want our customers to feel that they have opportunities to make sustainable choices and thereby contribute to a better tomorrow. To make this as easy as possible, in 2020 we have continued to improve on what already works well (e.g. our organic range) and have also begun work on a new sustainability label.

Organic sales continue to increase

Customers have discovered our organic range and our suppliers keep providing new products in an ever-in-

creasing number of categories. Organic products accounted for 13.6% of sales volume in 2020. (See page 48 for more details.)

The number of ethically labelled items is increasing

Systembolaget's ethically labelled wines are currently either Fairtrade or Fair for Life certified. These ethical certification programmes are both third-party certified and generate money that is returned to vineyard workers. In 2019, we had 42 ethically labelled items in our Set Range. This figure increased to 54 in 2020.

Climate-smart choices

Reducing the climate footprint is also becoming increasingly important for our customers and the choice of beverage packaging makes a difference in this regard. More details about work to reduce our climate footprint can be found on page 27.

Sustainability advice

Our customers want clearer advice on sustainable choices. In 2020, work began on developing a new label that takes climate, environment and social aspects into account. The labelling will be based on available information about the product's sustainability impact and the supplier's sustainability work. It should be simple to understand and make it easier for customers to find the most sustainable products.

MEASUREMENTS

We primarily use the following three strategic key numbers to measure how well we are succeeding in efforts to give our customers good service in line with our values – caring, knowledgeable and inspiring – as well as in achieving our goal of becoming a well-known role model within sustainability.

Customer Satisfaction Index (CSI)

COVID-19 and general advice from the Public Health Agency of Sweden had a major impact on measurements for this year's Customer Satisfaction Index (CSI). Ongoing in-store recruitment had to be interrupted during the year's first survey in favour of online panel recruitment for the remaining two surveys.

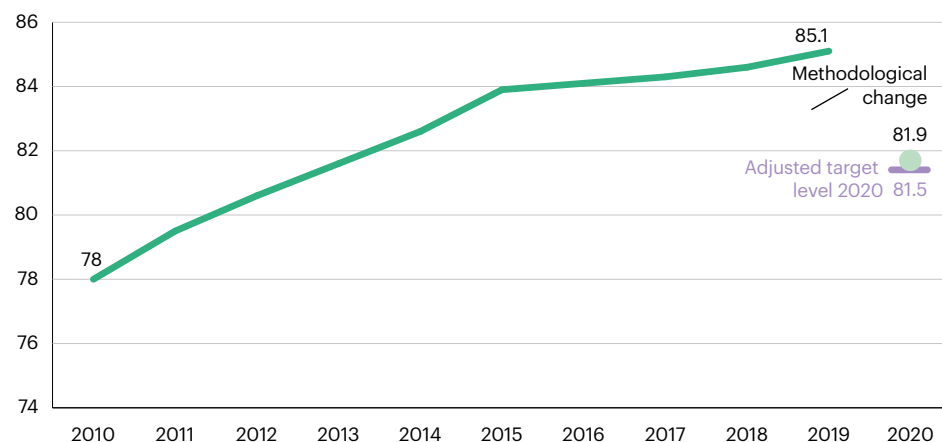
For this year's second survey, customers were contacted both via an external web panel and via a temporary Systembolaget panel. The Systembolaget panel was activated prior to this year's second survey and consisted of customers recruited in-store for one of the three previous CSI surveys and who had indicated they were prepared to take part in future surveys within 12 months.

As the make-up of customers on the external web panel differs from those customers we previously recruited in-store, the ratings level will be lower. This is mainly due to the more even age distribution and geographical spread of the external web panel. The make-up of customers on the external web panel was more nationally representative, which suggests we should stick to the new method in the future.

Results from the Systembolaget panel have been used to ensure comparability with previous surveys, while results from the external web panel are a starting point for future surveys. These two parallel results have therefore let us carry out recalculations linked to the methodological change. Only customers in the external web panel were contacted for the year's third survey.

The CSI from the web panel for the full year 2020 was 81.9, which allowing for the change of method is in line with the result of 85.1 for 2019. This year's result exceeded the adjusted target level for 2020, which was 81.5. The fact that we were able to maintain a high CSI score despite a difficult year with many challenges is testimony to both the endurance and strength of our organisation. It is particularly pleasing that opinions about our service have never been as strong as they are now, while our social responsibility continues to be highly valued by customers at the same time.

CSI trend 2010-2020



Customer Satisfaction Index (CSI) – Sustainability

CSI - Sustainability is part of the measurement of CSI undertaken three times a year. The result remains high, amounting to 71.3 with the new digital recruitment, which is in line with the adjusted target level for the year. The index level for the two sub-topics was 70.9 for Sustainability work - environment and 71.7 for Sustainability work - human rights.

Customer Satisfaction Index (CSI) - Sustainability	2020	2019	2018
CSI - Sustainability	71.3 ¹	74.9	73.4
CSI - Sustainability/environment	70.9 ¹	74.8	73.2
CSI - Sustainability/social	71.7 ¹	75.6	74.4

¹ Outcome affected by the methodological change made for the 2020 CSI survey.

Sustainable Brand Index

Sustainable Brand Index is Europe's largest brand study focusing on sustainability. The measurement is made annually, and the position Systembolaget receives in the Swedish survey is monitored as a strategic indicator. Systembolaget ended 2020 in eighth position, which is four places higher than last year and a step closer to our goal of becoming a well-known role model in sustainability.¹¹

ENVIRONMENTAL STUDY AS A PRACTICAL TOOL

To enable a more fact-based guidance mechanism for sustainability, we carried out an environmental study in 2020 with a focus on our own business operations. The overall study can be used as a practical tool by anyone who needs to make everyday decisions with regard to the environment and climate. The conclusions from the environmental study show that we need to focus on:

- ensuring that strategies and procedures developed for increased sustainability are implemented and followed up;
- reducing the climate impact of energy consumption;
- reducing waste volumes and striving for circular material flows; and
- increasing the proportion of purchased materials that are eco-labelled as well as the proportion of sub-contractors with third-party certified environmental management systems.

Accounts of the various ways we have put the conclusions of the environmental investigation into practice are described later in this report; see Significant sustainability areas for reducing climate impact (page 27) and Working towards circular solutions (page 31).

Limiting the harmful effects of alcohol



Systembolaget is a different company. We are different because alcohol is not the same as other goods. Our mandate is not to sell as much as possible, but rather to prevent and limit the harm that alcohol causes by selling responsibly. Public health is at the centre of everything we do. Sweden has come a long way – less alcohol is drunk and fewer people are harmed by it than in the rest of the EU. However, despite this, a cohesive alcohol policy to protect public health is key for society. The harmful effects of alcohol currently cost Sweden SEK 103 billion a year¹². In 2020, for obvious reasons, we have placed extra focus on understanding and responding to the consequences of the pandemic in relation to our mandate and business operations.

Why this is so important

Alcohol doesn't just affect those who drink it. Every year, alcohol costs Swedish society SEK 103 billion as well as causing human tragedies and suffering¹³. The more alcohol that is drunk in a society, the greater the problems with accidents, violence and disease¹⁴. The

goal of Swedish alcohol policy is therefore to reduce total alcohol consumption and to prevent the social and medical harm it causes. Loved ones are the most exposed – according to a survey carried out in 2019, 320,000 children in Sweden suffer because of a parent's alcohol consumption¹⁵. Systembolaget's social mandate is clear: to sell alcoholic beverages and alcoholic beverage-like substances with exclusive rights and with responsibility and good service and to inform about the harmful effects of alcohol.

Governance and strategic initiatives

Systembolaget's mandate to limit the harmful effects of alcohol is governed primarily by the Alcohol Act¹⁶, EU law and our agreement with our owners, the Swedish state, and the owners' directive.

We work on many different levels to achieve the goal of reduced alcohol consumption, of which the most important is limiting the availability of alcohol in society. We also collaborate with others, such as child rights organisations, and fund and disseminate relevant alcohol research. Our purpose is an ever-present bedrock for the development of Systembolaget's business operations.

SURVEYS ON CONSUMPTION AND ATTITUDES

In order to minimise the harm caused by alcohol, it is important to understand the ways in which our customers drink strong beer, wine and spirits and how they view alcohol in general. This is the reason why

we and IQ conduct annual consumption and attitude surveys. We conducted additional surveys in 2020 due to COVID-19.

Annual measurements show reduced consumption

In 2019, alcohol consumption was 8.7 litres per inhabitant aged 15 and over. This was slightly lower than in the previous year and strengthens the belief that total alcohol consumption fell in Sweden during the 2010s. The result are part of the measurements carried out by the Swedish Council for Information on Alcohol and Other Drugs (CAN) and are based on interviews with just over 18,000 people¹⁷. The report for 2020 will be published in September 2021.

New survey of alcohol consumption during the pandemic

Systembolaget initiated a new survey in 2020 in order to track trends in consumption during the period when COVID-19 restrictions were in place. The survey was carried out by Norstat every month from April onwards. A total of 13,000 respondents participated. The survey allowed us to rapidly understand and respond to ongoing trends. The overall results show that a majority – seven out of ten – of the respondents maintained their alcohol habits, that one in ten increased their consumption and that two out of ten reduced their consumption.

Alcohol Index: A less permissive attitude to alcohol

The Alcohol Index provides an overall measure of the attitude of Swedes to alcohol, with an emphasis on binge drinking (measured for the first time in 2010). The

lower the index value, the more permissive the attitude to alcohol. The value for 2020 was 63.4.

The answers are summarised in three attitude groups: permissive, moderate and abstemious. The index value for these groups has varied over the years. Over a ten-year period, the proportion of moderates has increased, from 35% in 2010 to 45% in 2020. The permissive group has decreased by nine percentage points over the same time period. The abstemious group has remained at the same value, 29%.

Alcohol Index	2020	2019	2018
	63.4	62.8	62.8

Data collection was carried out by Novus on behalf of IQ, and the questions are asked once a year to people aged 16 years and over. From 2020, seven indicators are included and results from previous years have been recalculated to allow comparisons with index values from previous years. This year's survey included a new question: what do you think about reducing stress by drinking? The result was clear: three out of four people believe it is a bad idea to use alcohol to reduce stress. Fewer than one in ten think it is a good thing to do.

Workday Index: A less permissive attitude to everyday drinking

In connection with the Alcohol Index, a number of questions are also asked about drinking on a daily basis. The answers are used to form the Workday Index, which like the Alcohol Index runs on a scale between 0 and 100. The 2020 index value was marginally higher than in the previous year, i.e. somewhat more restrictive. This shows that the trend towards a more permissive attitude towards drinking beer and wine on weekdays has stopped.

Workday Index	2020	2019	2018
	56.0	55.1	55.0

REPORTS ON THE IMPACT OF ALCOHOL ON INDIVIDUALS AND SOCIETY

One way to inform people about the harmful effects of alcohol is through our reports. The Alcohol Report has been published every year since 2017 and provides an overall picture of alcohol in Sweden. This year, we also funded a report on alcohol as a risk factor during societal crises.

The theme of violence and insecurity in the Alcohol Report

In addition to a compilation of current facts and statistics about alcohol, the Alcohol Report also has a different theme each year. During the autumn, Systembolaget held well-attended digital seminars on the theme of alcohol, violence and insecurity, which the Alcohol Report 2020 focusses on¹⁸. At the beginning of 2020, we held seminars on the Alcohol Report 2019, for which the theme was alcohol and working life¹⁹.

Extra report on alcohol during the pandemic

In 2020, in response to the pandemic, Systembolaget also financed a report entitled "Alcohol as a risk factor in societal crises". The report shows that alcohol is a risk factor both for individuals and for society as a whole. Anxiety, isolation or stress can all lead to an increase in consumption, often from an already risky level. Men, socio-economically disadvantaged persons and young persons are groups that also usually have a relatively high proportion of risky consumers. These groups are also particularly vulnerable during the current crisis due to rising unemployment, worries about the future and loneliness. During previous crises,

increased risk and harmful consumption of alcohol has been seen among the unemployed in particular, and then especially among unemployed men.²⁰

Monitoring attitudes in Sweden and Europe

Systembolaget has given CAN financial support to carry out a five-year follow-up of a survey addressing a number of important aspects of the alcohol situation in Sweden which are ignored by other national alcohol surveys. The report "Swedish alcohol culture – stable or changing" was published in November.

SUPPORTING AND DISSEMINATING RESEARCH

Alcohol research leads to increased insight into one of our major public health problems and how it can be controlled. Systembolaget works both by providing researchers with financial support and with events to disseminate the results. In 2020, we have had to come up with new directions for our annual conferences.

Ten million to research 2020

Systembolaget allocates grants for research, although it is the independent Alcohol Research Council that decides which projects receive funding. Research funding totalling SEK 10 million was granted in 2020. SEK 2 million of this was earmarked for the focus areas "Consequences for children of adult alcohol consumption" and "Buying alcohol and measures to restrict availability". SEK 6 million went to open grants in alcohol research and SEK 2 million to applications from recently qualified post-doctoral researchers. In the 2020 application round, 30 of 64 applications received were approved.

Events to disseminate research findings

Joint conferences held together with regional opera-

tors was a new item introduced this year. These conferences highlight research that has received funding from Systembolaget's Alcohol Research Council based on regional knowledge requirements. During the autumn, digital seminars were held on alcohol, energy drinks and web-based interventions, as well as on alcohol and addiction.

COLLABORATIONS

Working with others is a success factor for Systembolaget and an important part of our strategic plan 2023. Some examples from 2020 where our impact is magnified by collaborating with public authorities, organisations and the other Nordic alcohol monopolies are set out below.

Deeper collaboration with "Barndom utan baksmälla"

Barndom utan baksmälla is a long-term initiative in which Systembolaget and our subsidiary IQ work together with the child rights organisations Bris, Childhood, Maskrobarn and Trygga Barnen for a Sweden where fewer children are harmed by adult drinking. The collaboration was deepened in 2020 and dissemination of the guide "Crucial moments" increased. The guide is now available as a tool with the Swedish Association of Local Authorities and Regions (SALAR) and in the Swedish National Board of Health and Welfare's knowledge guide.

Initiative against fake accounts

During the year, Systembolaget has followed trends on the major social media platforms where so-called fake accounts are common. These accounts are used to push and sell alcohol, not least to children and young persons. Together with the Swedish Customs Author-

ity and the Swedish Association of Local Authorities and Regions (SALAR), Systembolaget has taken the initiative in dialogue with the major platforms and with other actors in society with the aim that fewer young people obtain alcohol in this way.

International collaborations

Systembolaget has engaged in close dialogue with the other Nordic monopolies on issues of mutual interest, one of which is public health. We have joint working groups that meet regularly several times a year. An international conference of alcohol monopolies is also held every two years. The next international conference is scheduled for 2021, although that may change due to the pandemic.

Collaborative forum against illicit trade in alcohol (SIA)

Members of the Collaborative forum against illicit trade in alcohol convened twice in 2020 (in March and September). The forum is primarily a platform for exchanging knowledge and information about illicit trade in alcohol. In 2020, the members have, among other things, engaged in discussion around preventive work against ill health and crime, a new Alcohol, Drugs, Doping, Tobacco and Gambling strategy and Information for the general public on websites and other channels. Industry bodies and public authorities are included alongside Systembolaget.

PUBLIC HEALTH COMMUNICATION EFFORTS

Systembolaget and IQ work with campaigns and digital tools in their bid to make a success of Systembolaget's information mission and to get people to reflect on their own and others' drinking habits. Plans for 2020 had to be reworked due to the pandemic and our new

communication concept was delayed. A selection of activities from the year is presented below.

New communication concept

The new communication concept "Different for a reason" is based on the strategy for 2023 and will permeate the entire Systembolaget experience, i.e. all communication and all encounters across all channels. The idea is to show life as it is, encourage reflection and give a reminder of the benefits for both the individual and society that the Swedish way of selling alcohol brings. Another important message is that Systembolaget exists for everyone in Sweden – even those who don't shop with us. The first campaign was launched in summer 2020.

Campaign against buying alcohol for minors

Messaging about the dangers of buying alcohol for minors is particularly important at certain times of the year; for example around Walpurgis Night and the start of the school year. In 2020, this was carried out within the framework of a new concept based around the message "Sometimes no is the best answer you can give". The message was spread on social media and via influencers, where the target group was older siblings.

Thousands of conversations about alcohol

The Teenage Phrasebook is sent out every year in connection with the Walpurgis Night holiday to everyone with a child turning 14 during the year²¹. 120,000 parents or guardians were contacted in 2020. This year's survey showed that six out of ten parents had discussed the content with their teenager and that over 80% had kept the manual. IQ also produces supporting material for the phrasebook, one example is Teenage Phrasebook - the movie.

Communication during the pandemic

COVID-19 changed the lives of our customers in the spring. The social media campaign “When everyday life is not the same” encouraged recipients to reflect on their alcohol habits with the support of IQ’s self-assessment tool called the Alcohol profile which was re-launched in 2020. A total of 43,000 people completed the test.

RESPONSIBLE SELLING

Systembolaget does not exist to maximize sales – but rather to sell responsibly and limit the harmful effects of alcohol. We are a store with a difference – as unlike other retail stores, our goal is that people who choose to shop with us should not buy more than they intend. We never advertise the products we sell, and nor do we engage in sales drives or “Buy three, pay for two” type discounting. We have designed our product display in a way that means that you can easily find what you want and then head straight to the till. We place our non-alcoholic range at the ends of aisles, an area we know customers find tempting when looking for something to buy. We also have a bin by each checkout line which customers can use to return goods before their purchase is made. We inform about the harmful effects of alcohol and take great responsibility ensuring that our sales rules are followed. Trust in Systembolaget is largely based on our compliance with the Alcohol Act²². Systembolaget only sells to people over the age of 20 and never to someone noticeably under the influence of alcohol or who we suspect is buying alcohol for a minor.

Age checks

To find out whether our age checks are working, an independent company makes control purchases every

year via our various channels. During the year, we strengthened our efforts vis-a-vis home deliveries by intensifying the training rate of drivers and reviewed the training process and developed technical support (see page 24 for more details).

Local community benefits in and around our stores

Systembolaget is present throughout Sweden and has at least three employees in every municipality. From our perspective, it is important to be part of the local community and a participant both inside and outside our stores. During the past year, we have developed work to increase Systembolaget’s presence in the local community. Due to the pandemic, much of our local work has focused on creating a safe in-store environment for employees and customers.

Key figures and results

Systembolaget targets and monitors a number of key figures and indicators linked to our purpose to limit the harmful effects of alcohol. Our strategic indicators in the area are the Alcohol Index as well as total consumption and Systembolaget’s share of total consumption (see page 13). These indicators, together with the strategic key figures Opinion Index and age checks, indicate how well we have succeeded in our mandate: to sell alcoholic beverages and related products with exclusive right and with responsibility and good service, as well as to inform about the harmful effects of alcohol. At the same time, we are aware that our business is only one of a number of factors affecting the results.

OPINION INDEX: SUPPORT FOR SYSTEMBOLAGET REMAINS STRONG

If we are going to be able to carry out our mandate over the long term it is important that Sweden’s population is positively disposed to Systembolaget. We therefore continuously measure what proportion of Sweden’s population wants Systembolaget to retain its exclusive right to sell strong beer, wine and spirits.

Every month (except during the holiday season in July) we ask the question “Do you think we should keep Systembolaget and its monopoly for selling strong beer, wine and spirits or do you want other shops to be able to sell strong beer, wine and spirits?” to a nationally representative sample of at least 750 people aged 15 and over (poll conducted by Kantar Sifo). A total of 9,026 interviews were conducted in 2020. The proportion who want us to retain our exclusive right forms our Opinion Index (OPI) which we report quarterly and for the full year.

Opinion Index (OPI)	2020	2019	2018
%	76.0	73.9	76.5

76.0% of those surveyed for the full year of 2020 want Systembolaget to retain its exclusive right. This means that a qualified majority is still in favour of Systembolaget’s exclusive right. The result for the year means that the support has increased by 2.1 percentage points compared with the previous year, which is a significant increase. However it was not enough to reach our goal for 2020 of 76.5%. Those who want strong beer, wine and spirits to be sold in other stores fell to 18.2% (-1.7%), and don’t know dropped to 5.8% (-0.5%).

In-depth analyses show that the main reasons why

some people want Systembolaget’s exclusive right to be scrapped are: personal convenience (more stores, extended opening hours), the feeling that it is up to the individual to take responsibility for their own alcohol consumption and/or that free enterprise is seen as being more important than the restrictive alcohol policy that Systembolaget is part of.

Support for the exclusive right is based on realizing that the negative consequences of alcohol are a societal problem rather than an individual responsibility and that Systembolaget’s way of selling – no upselling, limited opening hours, strict sales rules – helps reduce alcohol-related problems in Sweden.

Even if a qualified majority remains in favour of Systembolaget’s exclusive right, the results show the importance of continuing to remind people of its usefulness; namely, that limiting the availability of alcohol contributes to improved public health and that decisions made by individuals can also affect others (children and other relatives etc.).

AGE CHECKS IN ALL CHANNELS

Control purchases are made every year by undercover shoppers to ensure that we are complying with the sales rules on age limits. The control purchases are carried out by individuals in the 20–24-year age group, as Systembolaget staff must ask for identification if a customer is considered to be under the age of 25. To further increase the focus on all types of age checks being performed, age checks for home deliveries and agents are also included in the strategic key figure from 2020.

%	2020	2019	2018
All age checks	95.3	95.1	95.4
In-store age checks	95.9	95.2	95.6
Age checks by agents	94.7	94.8	94.5
Age checks during home deliveries	91.2	91.8	89.1

In 2020, 6,320 control purchases were carried out in stores, 693 checks during home delivery and 655 with agents. The combined result from age checks in all channels (95.3%) shows some increase compared with the previous year. However, this was not sufficient to reach our target (96.0%).

The positive trend has above all been achieved through a further increase in the proportion of approved in-store test purchases, which in 2020 reached 95.9% compared with 95.2% in the previous year. Hence, the result for in-store age checks has been at a stable high level for the past six years.

The volumes for agents increased in 2020. After a month of low results in the spring, probably in connection with the pandemic, measures such as increased availability of support and assistance as well as improved procedures during hand over and with new employees have had a positive impact. Despite this, the proportion of approved test purchases from agents fell slightly in the full year compared with 2019. However in all the months that followed the measures described, the result was comparable to or better than 2019. We are continuing to closely follow our agents and are securing training status to raise the level going forward.

Home deliveries also increased sharply in 2020. During the spring, when we saw a rapid change in customers’ purchasing behaviour due to the ongoing pandemic, the proportion of approved test purchases during home delivery fell to 80%. A number of measures were taken to ensure responsible sales through this channel, and the trend has steadily risen during the year to reach 96.6% for December. Among other things, the training process has been mapped and strengthened in close collaboration with partners, while improved system solutions have been initiated.

To get closer to attaining our goals for age checks in our various channels, we are continuing to work systematically to improve procedures and training and create opportunities for proactive checks of our sales rules in close cooperation with our agents and partners. As part of this, in 2021 we will begin work on creating a skills portal for our partners.

Combating bribery and corruption



Due to Systembolaget's special position and mandate in Sweden, it has a large responsibility to combat bribery and corruption throughout the entire supply chain. We therefore have zero tolerance for all forms of bribery, corruption and irregularities, both internally and externally. Given that our supply chain extends over large parts of the globe, the work required for this task is extensive. To succeed, we have drawn up codes of conduct and policies, as well as follow-up procedures for when irregularities are suspected.

Why this is so important

Systembolaget has a duty to act in a manner that is compatible with EU law on state-owned commercial monopolies, and we want to be transparent towards our customers, owners and suppliers. In short, this means that when either buying or selling alcoholic beverages, we act impartially and in a non-discriminatory and brand-neutral manner in accordance with applicable legislation.

Acting transparently and in a non-discriminatory manner are requirements imposed on us by virtue of our special role and exclusive right. Acting ethically and working against corruption in a structured way is also crucial if we are to be a role model within sustainability.

Governance and strategic initiatives

Systembolaget works in a committed and structured way to maintain good ethics and counter corruption throughout the entire value chain. Our work to prevent breaches of the rules and transgressions is governed by established risk assessment processes and a clearly communicated zero tolerance of all forms of bribery, corruption and irregularities.

We do not accept any form of direct or indirect attempt by suppliers or partners to unduly influence our employees. If, despite this, a breach of the rules occurs within Systembolaget, our ambition is to make it as easy as possible to report. Our incident management work focuses on consequences and change.

Systembolaget has a number of tools for combating corruption. They are described briefly below.

OUR EXTERNAL CODE OF CONDUCT

Systembolaget has an external Code of Conduct that was originally prepared by amfori (formerly BSCI or the Business Social Compliance Initiative). The Code sets requirements in eleven different areas including anti-corruption, work environment, health and safety, forced labour, working hours, pay and trade union freedom, non-discrimination, special protection for young workers and a ban on child labour.²³

The Code of Conduct is included in Systembolaget's purchase agreements with our suppliers. Moreover, each supplier must ensure that the principles of the

Code of Conduct are also applied across the supplier's entire supply chain. See page 39 for more details.

Our purchasing and evaluation process

Systembolaget has a centralised and transparent purchasing and evaluation process for the procurement of alcoholic beverages, which, according to Systembolaget's instructions from its owners, must be carried out in an impartial and non-discriminatory manner.

Since the end of 2018, we have been affiliated with the Confederation of Swedish Enterprise's code of conduct as regards terms of payment. This was initiated by the Ministry of Enterprise and Innovation in dialogue with the Confederation of Swedish Enterprise and contains the main rule that small and medium-sized companies must be paid within 30 days.

Our internal Code of Conduct

Systembolaget has an internal Code of Conduct for all employees. The internal Code of Conduct provides the framework for the company's governing documents. The purpose behind the Code of Conduct is to provide guidance and security as regards behaving ethically and professionally. Among other things, it includes rules combating corruption and irregularities as well as rules on external contacts, inclusion and behaviour on social media.

An e-training module (mandatory for all new employees) sits alongside our internal Code of Conduct. Everyone has to take the e-training module - even the

Board of Directors. Moreover, all managers are required to take the e-training module once every year to ensure that the Code of Conduct and its principles are a constant presence in our business operations. Work reviewing the Code of Conduct and the associated learning package began in 2020.

Our policies

As part of Systembolaget's transparency programme, all our policies are in the public domain and can be accessed via omsystembolaget.se. Both policies and internal rules are subject to annual review to keep them up-to-date and current with developments both in the business and the outside world.

Ethics dialogues

An annual Ethics Dialogue is conducted right across Systembolaget. The aim of the dialogue is to enhance our ability to act in accordance with our values and to give everyone the opportunity to talk openly about the ethical dilemmas that may arise in everyday working life, both during encounters with customers and within our work environment.

Implementation of the annual Ethics Dialogue is reported digitally. In 2020, 97.7% of managers reported holding an Ethics Dialogue with their employees.

Follow-up procedures

Systembolaget has a number of reporting channels for suspected irregularities, such as established incident flows, the whistle-blower channel and ethical advisors. All reports of suspected irregularities are picked up by our Compliance and Ethics Officer in order to provide an overview of the incidents and the opportunity for early detection of patterns and warning signs.

Whistle-blower channel

Systembolaget has an external whistle-blower channel. The channel allows both employees and external stakeholders (e.g. suppliers) to anonymously report suspicions of serious misconduct or irregularities perpetrated by persons in senior or key positions at Systembolaget.

All reports received are categorized, handled and investigated according to established procedures. The reports are initially received by our Compliance and Ethics Officer and the HR Director. Whistle-blower type cases are reported to the CEO.

The number of cases received via Systembolaget's whistle-blower channel increased over the year. However, only a few of the cases constituted reporting of a whistle-blower type. Most of the increase can be attributed to the pandemic and its impact on Systembolaget's business operations.

Annual reporting

Our Compliance and Ethics Officer compile and present an annual report to the Board via its Ethics and Sustainability committee. The purpose is to make sure senior management are informed about incidents, risk assessments and the ethical work carried out.

Key figures and results

CONFIRMED INCIDENTS OF CORRUPTION

This key figure measures incidents where we have discovered that an employee has breached the established rules and procedures that we have put in place to prevent corruption and irregularities.

Reported incidents of corruption ¹	2020	2019	2018
Total number of confirmed incidents of corruption ¹	3	3	5
Total number of confirmed incidents where employees have been disciplined under employment law on grounds of corruption	3	3	5
Number of legal proceedings brought before a general court or administrative court due to an incident of corruption	0	0	0

¹ We use this key figure to measure incidents where we have discovered that employees have breached the rules and procedures we have drawn up to combat corruption. No incident was so serious that bribery was established. No police reports have been filed. The sanction has instead been a disciplinary measure taken by Systembolaget as the employer in the form of a written warning.

We strive for a culture of transparency where we systematically work on monitoring and training efforts in ethical issues and where irregularities are raised, and incidents reported.

Only a handful of corruption-related incidents were received in Systembolaget's various reporting channels during 2020. After investigation, all turned out to be matters for HR. For example, they concerned lack of leadership, reports of perceived discrimination or work environment and work organisation-related problems.

The three confirmed incidents of corruption in 2020 that resulted in sanction under employment law involved, among other things, infringement of internal rules on second jobs.

Reducing climate impact throughout the value chain



Packaging accounts for a third of Systembolaget's climate footprint, and this is what makes our work for more sustainable packaging and getting our customers to choose them, so important. But just working with packaging is not enough. To reduce carbon dioxide emissions, we need to work throughout the entire value chain – on everything from transport and energy to travel.

Why this is so important

We are confronted with major climate change and the global climate issue is an urgent topic that we must help to deal with.

Looking at our entire value chain, we can see that Systembolaget's business operations have a significant climate footprint. At the same time, working together with our customers, suppliers and other partners, there are big opportunities to reduce emissions and help counteract climate change.

Our largest climate impact is indirect in connection with the manufacture of packaging, cultivation of raw materials, beverage production and logistics. Direct climate impact from our own business operations arises, among other things, from energy use, but also from travel and the goods consignments we purchase.

Governance and strategic initiatives

Work to reduce our climate impact is carried out in different ways depending on where in the value chain the impact occurs and what degree of influence we have over the activity. There is also great potential in engaging with our customers to achieve our goals (also see page 18).

LOGISTICS

With its unique position, Systembolaget has an important role to play in being a driving force behind and encouraging more fossil-free transportation solutions. We also have a responsibility to reduce the total volume of transport through efficient logistics. This is something that demands more strategic collaborations with our logistics partners and suppliers. One of our long-term strategic goals is for all beverage consignments to and from Systembolaget to be fossil-free by 2030.

Action to minimise the climate impact of beverage consignments

The majority of beverage consignments are currently made by truck. Sustainability work is currently under way together with our logistics partners to find alternative transport solutions that reduce emissions. The work also includes reviewing lead times and delivery frequencies to create the conditions for more environmentally friendly deliveries. COVID-19 had an impact on work during the year. The pandemic has also affected our logistics partners as the volumes of goods needing replenishing have risen sharply.

A new system support was purchased during the year as part of ongoing work to streamline consignments; this system increases the possibilities for measuring and analysing transportation and emission data.

ENERGY AND LEASED COMPANY CARS

Since 2016, one of our strategic climate goals has been that our own business operations (i.e. those operations we have direct control over) should be climate neutral by 2020 as regards electricity, refrigerants and leased company cars. Although improvements were made during the period, the goal was not reached (see page 29 for more details). A number of measures are being implemented on an ongoing basis to push the work forwards.

Replacement of lighting and requirements for green electricity

This year's environmental study shows that the climate impact of our energy use can be reduced further. We are in the process of switching to LED lighting and have removed night lighting from our stores. We also set demands for green electricity in our stores, warehouses and offices.

Gradual conversion to fossil-free cars

We will gradually switch to fossil-free private cars up until 2023. In 2020, we entered into a new lease agreement that allows us to take further steps towards that goal. Our guidelines now recommend drivers to consider their driving patterns when choosing a leased company car. In collaboration with our new leasing

FIVE AREAS OF ACTIVITY FOR BEVERAGE PACKAGING



partner, we follow trends in the automotive industry and the expansion of infrastructure, so we are able to act in the most sustainable manner possible and be at the forefront of the latest trends in the area.

BEVERAGE PACKAGING

Working with packaging is crucial as it accounts for a third of Systembolaget's climate footprint. By 2023, our climate impact from packaging will have decreased by 10% compared with the base line year 2019. Work is proceeding at several different levels to achieve this goal:

- We are working with others to develop innovative and attractive alternatives to glass bottles. Glass manufacture is energy-intensive and the more packaging that can be switched to boxes and plastic (PET) bottles or aluminium cans the better.

Cardboard boxes and plastic bottles and aluminium cans also reduce the climate impact of transportation by virtue of their lower weight and improved logistics.

- Simply producing more sustainable packaging is not enough. Customers also need to understand that beverage quality is maintained when different packaging is used. In 2020, we therefore launched more items in box packaging from the higher price and quality end of our range. Since September, in an effort to support a change in attitude and behaviour, we have also placed wine in box packaging alongside glass bottles on store shelves. We also introduced a number of wines and sparkling wines in cans.
- Two of this year's four store campaigns focused on increasing knowledge about packaging and its climate impact. Communication also takes place in all our digital channels.
- The Beer Studio, our speciality store focussed on beer, opened in November. The Studio is used to test sales of non-alcoholic draft beer bottled in a type of glass keg known as a growler. The system is circular as the growler keg can be reused.

WORK-RELATED TRAVEL

Changing employees' travel habits is an important part of Systembolaget's internal work to reduce climate impact. Our internal travels rules clearly state that trains should be chosen ahead of flights.

Change work in 2020 was enforced on the back of the national travel restrictions caused by COVID-19. The travel restrictions meant that we more or less stopped travelling in 2020 and this is the single biggest explanation for the almost 80% year on year reduction in aviation compared to 2019. This meant we reached the full year target for reducing carbon dioxide emissions from domestic flights of 20%. However, the enforced situation that applied for most of the year makes any comparison with previous periods problematic.

The focus going forward is on both maintaining good travel behaviour and maintaining the new digital way of working. In addition to quarterly monitoring of all trips made by Systembolaget personnel, a system support was developed in 2020 that enables climate impact to be measured at departmental level.

STRATEGIC COLLABORATIONS

Systembolaget needs more strategic collaborations with other companies, such as our logistics partners, if we are going to be able to contribute to combating climate

change. We currently collaborate through the Swedish Beverage Industry's Climate Initiative. A total of 43 beverage companies were participating in 2019/2020, which corresponds to 80% of the volume sold in Systembolaget's range.

The Swedish Beverage Industry's Climate Initiative presented two climate reports during 2020 in which results for 2018²⁴ and 2019 were reported. In the 2019 report, the number of reporting suppliers increased by 6% to 37. One positive change in the reported findings is that an increasing proportion of recycled material is being used in packaging. 62% of the total weight of packaging now comes from recycled materials. This is an increase of 6% on the previous year.²⁵

Key figures and results

We have two new strategic key figures for monitoring our carbon dioxide emissions in different parts of the value chain.

They are aimed at 2030 with intermediate goals up to 2023. Systembolaget also already has a strategic key figure within the climate area targeted at 2020.

CARBON DIOXIDE EMISSIONS FROM DISTRIBUTION

The strategic key figure for carbon dioxide emissions from distribution is new from 2020 and this year's result, 15,000 tonnes of carbon dioxide equivalents, will serve as the baseline year for future measurements. Although emissions from distribution have been measured since 2016, the measurements were made more robust in 2020. The key figure has two parts; replenishing goods in stores and depots and directly purchased

goods consignments. Goods replenishment is handled by our beverage suppliers via a number of distributors and their warehouses. Directly purchased beverage consignments take place via our goods depots and distribute customer orders to stores, agents and for home delivery.

Carbon dioxide emissions from distribution	2020
Carbon dioxide equivalents (CO ₂ e), tonnes	15,000

Work will continue with our logistics partners in 2021 to find ways to streamline goods consignments, increase the amount of fossil-free fuels and switch some long-distance consignments over to trains.

CARBON DIOXIDE EMISSIONS FROM BEVERAGE PACKAGING

Packaging accounts for the largest share of Systembolaget's indirect climate impact, and the key figure has been reported twice a year since 2020. The baseline measurement for full year 2019 was 169,200 tonnes CO₂e.

	2020	2019	2018
Carbon dioxide equivalents (CO ₂ e), tonnes	182,500	169,200	168,600

The goal is for emissions from beverage packaging to be reduced by 10% by 2023 compared with 2019. However, 2020 saw an increase of 7.9 percentage points, which is mainly explained by the overall increase in Systembolaget's sales volume compared with the previous year. The pandemic was the single biggest contributing factor to this.

Large variations in the carbon footprint of packaging was seen over the year. Ahead of major holidays and during the summer, the carbon footprint of packaging rose to double that of those months with the lowest carbon footprint. This was due, firstly, to a general increase in sales, and secondly, to larger sales of products packaged in single-use glass during these periods. In order to meet customer demand for alternatives during these periods, we have sent out requests for products in climate-smart packaging in more price segments.

We can see that the choice of packaging has a bigger impact on carbon footprint than the increased volume. 82% of Set Range items are currently sold in glass bottles, although this only represents 32% by volume. However, the trend is towards an increased share of Set Range items being sold in packaging other than single-use glass.

The analysis for the full year shows that carbon dioxide emissions per litre have decreased in all beverage categories. To meet the emission target of an absolute reduction of 10%, Systembolaget will continue to work for a transition from heavy glass bottles to more climate-smart packaging such as box packaging, PET plastics, lighter glass and cans.

CLIMATE IMPACT OF OUR BUSINESS OPERATIONS

Prior to Systembolaget's previous strategic period (which started in 2017), a strategic key figure was produced regarding carbon dioxide emissions from our business operations. The key figure included direct carbon dioxide emissions from the cars the company leased as well as estimated indirect carbon dioxide emissions from the operational side of the business

electricity consumption and refrigerants. The carbon dioxide emissions from these areas, which are reported in the table below, have almost halved compared with the baseline year 2016. However, our goal of becoming climate neutral in these areas has not yet been achieved.

Total carbon dioxide emissions (tonnes) from our business operations	2020	2019	2018
Electricity consumption	1,797	1,471	2,196
Refrigerants ¹	0	0	0
Internal travel in leased cars	199	376	395
Total carbon dioxide emissions, tonnes	1,996	1,847	2,591
Decrease/increase tonnes CO ₂ e compared to previous year	149		

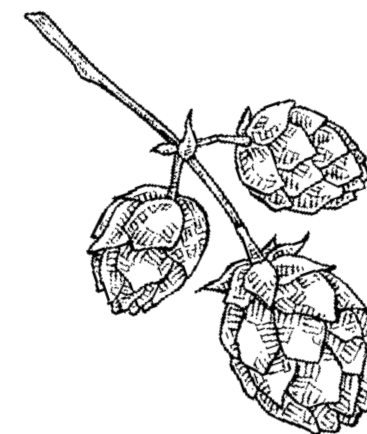
2016 is the baseline year for this climate goal, ¹Reported with a one-year time lag

Carbon dioxide emissions from our business operations increased in 2020 compared to the previous year. This negative development was mainly due to an increase in carbon dioxide emissions from electricity consumption. This, in turn, is mainly due to the fact that our depot in Stockholm, which only entered service at the end of 2019, has been open all year. There has also been some increase in our number of stores. We installed LED lighting in 51 stores during 2020, and a total of 133 stores have now been refitted. Work will continue with both streamlining measures and verification of stores where green electricity is used in order to reduce our climate impact and be able to report a lower and more accurate result in the future, and also to reach our goal of having a climate-neutral business operation by 2023.

Due to our reporting cycle for refrigerants, this emission source is reported with a one-year time lag and there were eight notifiable facilities of interest for this reporting period. These are our head office, our training and conference centre at Skarpö and six stores. There were no refrigerant leaks and no emissions from these facilities during 2019.

Emissions from travel in leased company cars almost halved between 2019 and 2020. The sharp drop can be attributed to reduced travel due to the ongoing pandemic. At the same time, the outcome signals that, together with our new partner, we are on the right path to achieving our goal of our entire vehicle fleet being fossil-free.

The above climate impact is also reported as part of our monitoring based on the Greenhouse Gas Protocol²⁶, (see page 87 for more details).



Working towards circular business solutions



The development towards more circular flows has huge potential and will become indicative as the transition to sustainability progresses in Systembolaget's stores, warehouses, offices and operations. In 2020, we developed guidance for more clearly integrating the perspective of circularity into Systembolaget's entire business operation. We have also tested specific solutions to find out more, including how the use of plastic bags can be reduced.

Why this is so important

The transition to a circular economy has huge potential to reduce resource use and thereby limit climate and environmental impact. The Government's national strategy for the transition to a circular economy, which was presented in 2020, contains a vision of a society where resources are used efficiently in non-toxic circular flows with primary materials being phased out. We will be heavily involved in this and work to that end. As a state-owned company, we have a particularly large responsibility in this area.

Governance and strategic initiatives

We have set ourselves a strategic sustainability goal

that by 2030 we will be a fossil-free and circular business. This means utilising manufactured materials for as long as possible, reusing and recycling to reduce the burden on the earth's finite resources and reducing the amount of waste. Recalibration work is ongoing at both strategic and operational level.

PROGRESSING TOWARDS CIRCULAR SOLUTIONS

We are working to integrate the circular perspective into our business operations.

Systembolaget's framework for a circular economy

In 2020, we developed a new framework as practical support for more circular solutions. The framework provides guidance in integrating the circular perspective into Systembolaget's entire business operations and provides support and direction to departments.

Less waste

One of our strategic sustainability goals is, by 2023, to reduce the total amount of waste and to recycle as many materials as possible.

Better sorting and optimised transport

A waste project has been carried out in which collection intervals and vessel sizes were inventoried at 124 stores in order to optimise transportation and clarify sorting. The project yielded good results and is now being implemented across all stores.

Transferring work clothing between stores

New opportunities to catalogue work clothing were developed during the year. This has created the conditions for work clothing to be sent between stores instead of being bought new. Annual orders for work clothing have been introduced and the allocation model has been adjusted.

Customer use of secondary packaging

In the area of secondary packaging, we increased packaging reuse during the year and conducted tests to further increase reuse in the future.

FEWER PLASTIC BAGS

Systembolaget had set a goal of halving the proportion of plastic bags sold by 2020 compared with the baseline year 2016. The tax on plastic bags rose during the year and this has had an impact on customer behaviour. The following trials were also carried out to see how as a company we can influence customer behaviour.

Bags behind the counter

An extended 3-month trial (1 Sept - 30 Nov) was carried out in 40 stores in which plastic bags were placed behind the counter. 35 of the stores participated for the entire trial and in these stores sales of plastic bags fell by 56% compared with the corresponding period in 2016. In one store, sales of plastic bags dropped by 91%.

Paper bags as an alternative

We have trialled paper bags as an alternative to plastic bags for both customer orders and in-store sales. The results of the trials have been largely positive from a perspective of both employees and customers. Our products are delicate, and a paper bag needs to meet high demands as regards strength, size and quality. Paper bags will continue to be developed in 2021.

Encouraging customers to bring their own bags

Work encouraging our customers to bring their own bags and to carry goods home in boxes has continued. The initiative has proven to be a success.

COLLABORATIONS

Successful transition to a circular economy requires us to work together at the societal level and both think and act in new ways.

In 2020, we have increased collaboration and dialogue regarding sustainability with a number of suppliers, for example in the areas of waste, work clothing and bags.

Systembolaget is a member of Håll Havet Rent (Keep the Sea Clean). One initiative arising from this is that we have encouraged employees from head office to combine 15 minutes in the fresh air with picking up litter.

Key figures and results

In its strategic plan for 2020–2023, Systembolaget introduced new key figures to measure the success of work towards more circular solutions. However, one key figure that has been around for several years measures the number of single-use plastic carrier bags sold.

NUMBER OF SINGLE-USE PLASTIC CARRIER BAGS

Since 2017, Systembolaget has had a target of reducing sales of single-use plastic carrier bags by 50% by 2020 as compared to the situation in 2016.

	2020	2019	2018
Number of single-use plastic carrier bags sold	51,278,202	72,849,144	78,695,910
Decrease as a % of baseline year (2016)	40.2	15.1	8.3

The rate of decline in sales of plastic bags has risen every year since 2016. Sales in 2020 fell by 40.2% compared to 2016. However, we failed to reach our target of a 50% fall.

A contributory factor is that the number of customer visits jumped markedly in 2020 versus previous years, which has meant that despite customers buying fewer bags per visit, the total number of bags sold has not fallen as far as hoped.

Following introduction of the tax in May 2020, the rate of reduction has increased significantly and during the period May to December 2020 we were close to our target (48.4%) of halving plastic bag use compared to 2016.

All things considered, this year's in-store initiative, together with the effects of the tax increase and a general increase in awareness among customers, has helped us significantly reduce sales.

Our ambition is to carry out further activities in 2021 with the aim of removing plastic bags from our range. This will be achieved by, for example, offering reusable alternatives, in-store communication and finding a more environmentally friendly single-use alternative.

Reflecting the diversity in society



Systembolaget has the ambition to be one of Sweden's best workplaces in 2023. This will be achieved, among other things, through increased diversity and inclusion. Research shows that this not only leads to a more successful organisation but also generates a more creative environment and a higher level of employee well-being. We also see a strong association between inclusion and a good performance environment and high group efficiency in our own employee surveys.

Why this is so important

Systembolaget is there for everyone in Sweden, not just those who shop with us. By reflecting society, we can meet the different needs of all our customers. Only then will everyone feel welcome. Diversity is also important in allowing us to carry out our social mission, to meet the demands of the outside world and to continue to impress our customers.

Our goal is to have employees with different knowledge, skills, experience and abilities. It is what makes us successful. Our work environment must be inclusive and characterised by respect and understanding.

Governance and strategic initiatives

Our strategic goals apply at all levels of the company. The work concerns offering an inclusive and attractive workplace for everyone and finding ways to recruit a diversity of skills.

The sustainability strategy contains the following goals for 2023: the proportion of employees with a foreign background should be 21% and both genders should comprise at least 40% of employees at company level.

COLLABORATIONS

Systembolaget is working with the Swedish Public Employment Service to recruit a diversity of skills. We also participate as a jobs partner with the City of Stockholm.

Collaboration with the Swedish Public Employment Service

This year, our collaboration with the Swedish Public Employment Service has led to us taking on a total of 104 new individuals as either trainees or subsidised employees. And on average every month we have had:

- 101 individuals with disabilities as trainees or subsidised employees; and
- 9 new immigrants as trainees or subsidised employees.

Jobs pathway for new immigrants

As a jobs partner, we have implemented a jobs path-

way in the Stockholm region together with the Swedish Public Employment Service and the City of Stockholm. The jobs pathway is an initiative helping new immigrants gain faster entry into the labour market. It combines rapid education with language training, traineeships and internal training. This resulted in one person being given a permanent job and several getting summer jobs.

Employees as mentors

As a way of contributing to integration in the city, Systembolaget offers its head office employees the chance to become Stockholm mentors. Mentoring gives our employees the opportunity to meet and support new immigrants. The initiative started in the autumn of 2020 and 9 employees joined the mentoring scheme before the end of the year.

Fast route to work

In order to be able to offer traineeships and provide graduates with a foreign background opportunities to become established in the Swedish labour market, we have initiated a collaboration with Korta Vägen (the Fast Route).

Recruitment in Arabic and Farsi

This year's summer recruitment was supplemented with communications in Arabic and Farsi. Our "Work with us" page was also expanded with landing pages in both languages. The results reveal that 18.6% of the 38,379 visitors to the sites were Arabic or

Farsi speakers, of whom 16.7% submitted an expression of interest and 19.1% then chose to go ahead and apply for a job.

Key figures and results

DIVERSITY STATISTICS

We monitor the proportion of employees with a foreign background to track how far we have come in our effort to reflect diversity in society. In 2020, 13.3% of our employees had a foreign background – compared to 28.7% of Sweden’s population. One of Systembolaget’s goals is to increase the proportion of employees with a foreign background so that we approach the actual proportion in Sweden. The outcome for the year (13.3%) was an increase on 2019 but not enough to reach our goal for 2020 (14.3%).

Proportion from a foreign background ¹ (%)	2020		2019		2018	
	Swedish	Foreign	Swedish	Foreign	Swedish	Foreign
Management	90.6	9.4	91.7	8.3	91.8	8.2
Employees	86.4	13.6	87.0	13.0	87.4	12.6
Total	86.7	13.3	87.3	12.7	87.8	12.2

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

Systembolaget’s goal for the proportion of employees with a foreign background is based on permanent employees. In connection with the pandemic, significantly fewer permanent employees were recruited in 2020 compared to previous years, which meant that the total number of permanent employees with a foreign background working in the company has not increased to the extent it would have in a more normal year. We have instead relied more on fixed-term contracts, which do not affect the key figure.

A separate survey conducted in mid-2020 focussed on discovering what proportion of new recruits (Q1 and Q2 only) on permanent employment contracts had a foreign background; the answer was 19%. The proportion was even higher for new employees who had never been employed by the company before (22.6%).

In order to further increase our diversity, accept our social responsibility and contribute to a local presence, we intend to collaborate with the Swedish Public Employment Service in targeted activities at the local level, so we better reflect diversity in society.

PROPORTION OF EMPLOYEES (GENDER AND AGE)

Systembolaget is striving for an even gender balance (within the 60/40 range) and to have employees of all ages (our minimum employment age is 20). The proportion of male employees has continued to increase in 2020 and the overall gender distribution is thereby continuing towards a more even balance. In-depth analyses have revealed that the proportion of women and the elderly is higher in smaller stores in smaller towns. We have an even gender distribution at management level, although this does not truly reflect the gender distribution among staff. Men are somewhat overrepresented at management level in relation to the gender distribution among employees. However, as the proportion of male employees increases among the staff, figures for this group are approaching the distribution at management level.

In 2020, the Board, including the four employee representatives, and senior management (included in the category of head office employees) comprised 14 women and 9 men. Nobody on the Board or in senior management was in the under 30 age group, 5 were aged 30-50 and 18 individuals were over 50 years of age.

2020	Number of employees	Female %	Male %	<30 years old %	30-50 years old %	>50 years old %
Sales staff	5,310	62	38	36	46	18
Store managers	459	57	43	2	72	25
Caretakers ¹	0	0	0	0	0	0
Store staff total	5,769	61	39	33	48	19
Employees, Head office	561	55	45	8	68	23
Managers, Head office	85	56	44	0	59	41
Area managers	30	53	47	0	43	57
Head office staff total	676	55	45	7	66	27
Systembolaget total	6,445	61	39	30	50	19

¹ The caretaker role has been phased out and as of 31/12/2020 no one is employed as a caretaker.

2019	Number of employees	Female %	Male %	<30 years old %	30-50 years old %	>50 years old %
Sales staff	4,732	63	37	36	45	18
Store managers	468	57	43	4	72	24
Caretakers	9	78	22	0	11	89
Store staff total	5,209	63	37	33	48	19
Employees, Head office	523	56	44	7	68	25
Managers, Head office	83	58	42	1	59	40
Area managers	30	47	53	0	50	50
Head office staff total	636	56	44	6	66	28
Systembolaget total	5,845	62	38	30	50	20

2018	Number of employees	Female %	Male %	<30 years old %	30-50 years old %	>50 years old %
Sales staff	4,776	64	36	38	44	18
Store managers	461	58	42	6	70	25
Caretakers	12	83	17	8	8	83
Store staff total	5,249	64	36	35	46	19
Employees, Head office	458	56	44	7	70	23
Managers, Head office	74	61	39	3	55	42
Area managers	29	48	52	0	52	48
Head office staff total	561	56	44	6	67	27
Systembolaget total	5,810	63	37	33	48	19

Ensuring a good working environment/ performance environment for employees



Our employees are our greatest asset and a prerequisite for Systembolaget being able to live up to its strategic goals. The COVID-19 pandemic posed major challenges in 2020. Huge emphasis has been placed on securing the best possible conditions for our employees across the organisation.

At the same time, we have taken a number of steps forward in developing our organisation and working methods. Digital working methods, meetings and training have developed considerably.

Why this is so important

Being recognised as a good employer is central to being able to attract, develop and retain talented employees – which in turn creates proud customers. We want our customers to be proud of Systembolaget, our mandate and how we carry it out – as well as of the difference we make in society. This is a prerequisite if we are to retain the exclusive right and be able to continue working to reduce the harmful effects of alcohol in society. Our employees are our most valuable resource in this work.

To have proud customers and achieve the high goals we have set in terms of responsible service, knowledge

sharing and sustainability, it is essential that we create the best conditions for everyone who works here. This includes a good work environment, a corporate culture that employees are proud of and processes and structures that develop and support the business. We believe in leadership that delegates and involves others to create participation, motivation and high commitment among our employees.

Governance and strategic initiatives

Systembolaget works with long-term planning goals as well as with quarterly and one-year plans. At the beginning of the year, we defined our target image as an employer – “Systembolaget is one of Sweden’s best workplaces where we work even better together for our shared vision”.

We want to create opportunities for innovative and courageous leadership that provides the best conditions so that more people want, can and will take responsibility. We will strengthen our personal leadership and develop our skills and abilities, learning from each other to contribute to our common goal. At the same time, we want to identify, attract and find new and creative ways to recruit a more diverse workforce with fresh skills.

SKILLS DEVELOPMENT

Work to improve our learning and skills development programmes within Systembolaget began in 2020.

New learning strategy

The strategy involves the individual both receiving support in and being empowered to take greater responsibility for his or her own learning. The focus is also on learning from and with each other and linking learning to everyday life more closely.

Increased availability of support

We have developed better support for how we manage and plan skills development, including by making greater use of technology as well as delivering content in new formats.

Digitization of training and learning

Digitization has created great opportunities to deliver and provide access to learning and skills development in new ways. This is more effective both from a perspective of learning and sustainability.

The pandemic gave a real boost to this work as the extensive courses we usually run at our centre at Skarpö could not be held. During 2020, our introductory training took place both through local instructors and digitally via distance learning.

We have packaged digital material to support autonomous distance learning, both to meet the needs of employees in quarantine as well as in stores where surplus time has arisen due to altered buying patterns (e.g. closed borders).

To integrate learning and communication, we are work-

ing continuously to develop our digital and innovation skills. In 2020, this entailed reviewing system support and architecture for better integration.

Skills for future needs

Retail is undergoing a major transformation with e-commerce taking an increasing share of sales. The challenge is to combine the personal in-store encounter with sales in other channels.

Identifying requirements going forward

During the year, we worked to identify how ongoing changes in shopping will affect staff in our stores and what the skills requirements are both now and in the future.

Talent management and skills development

The competition for future talent is getting tougher and individuals are placing ever higher demands on opportunities for development.

During the year, new working methods and a new model for inclusive and transparent skills development were initiated to develop our employees and meet the needs of the organisation. They are derived from the principle that everyone is talented in the right environment.

A model for faster and more efficient identification of needs for short- and long-term skills development at company, departmental and group level has also been produced.

Performance reviews – Focus

Performance reviews are an important part of creating sustainable performance environments and providing opportunities for development. In 2020, we developed

both working methods and system support to better meet the organisation's needs for skills development.

LEADERSHIP

Leadership is a success factor in Systembolaget's growth. The starting point is the personal leadership that both managers and employees exercise in their everyday lives. This takes place within the framework of the long-term initiative entitled "The strength of 5,000 people working together with each other and others", the ambition of which is to coax all employees to become the best they can be, so we are successful together.

Annual Leaders' Meeting held digitally

This year, the Leaders' Meeting for all of Systembolaget's 500 managers was replaced with digital meetings at a number of different levels. The meetings focused on efforts linked to the overall strategy.

Digital leadership training

Our basic leadership and work environment training has been successfully digitised into a distance teaching programme, where self-learning, virtual meetings and homework are sandwiched together. All our internal introductory training for new managers has been completed through digital distance teaching. All managers at head office have been given the opportunity to attend distance leadership training.

WORK ENVIRONMENT AND HEALTH

Systembolaget continued its employee health initiative "Sustainable working life" in 2020. The initiative aims to package advice and tips that have support in research so that employees become empowered to improve their health. A seminar was held on the theme of alcohol and health. This was supplemented with

short expert videos and additional material that was made available to all employees.

Work environment day

The theme for the year was "leading in change" and was aimed at preparing managers and work environment officers to manage and lead a number of major changes while maintaining a good work environment.

Work environment during the pandemic

Intensive work was carried out over the year to secure the work environment within the organisation during the pandemic.

Systembolaget's crisis management has been activated and continuous communication efforts have been made to keep all employees informed. A crisis helpline was set up which employees can call if they have concerns.

In-store procedures in line with advice from the Public Health Agency of Sweden, as well as other measures to reduce the risk of transmission, have been implemented. In addition to the general recommendations, protective plexiglass screens have also been installed on our checkout tills, a gating system has been introduced to avoid congestion and meetings have, as far as possible, taken place remotely.

Employees at Systembolaget's head office have switched to home working where possible and ergonomic aids have been provided. Procedures regarding risk assessment of the work environment while working from home have been clarified and adapted following dialogue with employees. A seminar focusing on mental health during the pandemic was also held.

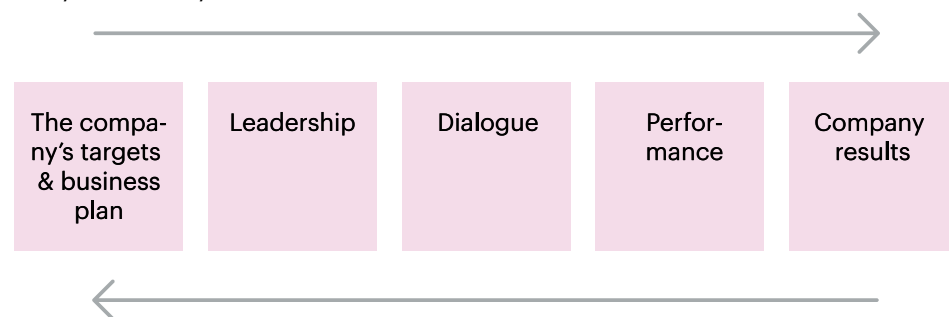
Key figures and results

PERFORMANCE CULTURE

A good performance environment is key for a positive earnings trend. The starting point is that it is individuals' joint performance that generates the company's earnings and profitability. The key figure "Performance culture" measures the extent to which employees feel that their work gives them the conditions they require to perform, as well as the individual's experience of having his or her basic needs catered for. These factors are prerequisites for us to be able to create and maintain good and sustainable performance environments.

Performance culture	2020	2019	2018
%	83.3	81.7	81.5

The result from this year's employee survey (83.3) was above this year's target (82.5) meaning we have risen from an already high level in 2019 to an even higher one. Given the situation in 2020 with the ongoing pandemic, this is testament to the huge commitment and willingness of our employees to contribute to the company's mandate. The result also reveals improvements in issues linked to customer satisfaction. Issues concerning the communication climate also scored higher in this year's survey.



Source: *From individual to profitable business, Agerus.*

Dialogues about the result are ongoing in our working groups as we all strive to improve areas that have not contributed to maintaining sustainable performance environments at the same time as we maintain factors that contribute positively to

earnings. The Agerus results trend over the years shows that we are moving in the right direction as regards leadership, thereby creating ever better conditions for employees to work to the best of their ability. This indicates not only good conditions but also a strong corporate culture.

SICK LEAVE

Sick leave is an important measure of the sustainability of our work environments. We want our employees to be willing and able to work for Systembolaget right up until their retirement. Total sick leave is measured based on the Swedish National Financial Management Authority's definition and measures hours of sick leave relative to all available hours during the same period.

An increase in sick leave corresponding to 1.4 percentage points compared with 2019 was recorded for 2020. The increase mainly consisted of short-term sick leave, although a small increase in long-term sick leave also occurred.

SICK LEAVE (%)	2020	2019	2018
%	5.9	4.5	4.5

The increase in sick leave has been most noticeable among employees who work in our stores, and this is probably linked to the ongoing pandemic. Short-term sick leave was highest during March to May and thereafter from September until the end of the year. One factor that has probably contributed to increased sick leave is the urge to stay home at the slightest symptom. No increase in short-term sick leave was seen among employees based at our head office. The assumption here is that the large-scale switch to working from home has kept short-term sick leave down. To mitigate the effect of increasing sick leave, a series of measures have been implemented in stores to reduce the risk of COVID-19 transmission. Measures have also been implemented to reduce risks that have arisen in connection with the large-scale switch to working from home among employees based at our head office.

During 2019, new health-related key figures were evaluated to supplement our work on health and at the same time improve our opportunities to work on the right initiatives for increased health and reduced sick leave. However, work scheduled to introduce these new figures into the business during 2020 was paused due to pandemic induced re-prioritisations.

Introduction to sustainable purchasing and range

Systembolaget is a major operator with responsibility for minimising its negative impact and maximising its positive impact on the outside world. We want to take responsibility for a sustainable future for both humans and nature. This applies right across our business and to all the items we sell. As a state-owned company, we must be at the forefront of sustainability and work actively to comply with international guidelines on environmental concerns, human rights, working conditions, anti-corruption and business ethics. Taking responsibility at all levels means we need to work systematically, proactively and for the long-term.

The part of our work focussing on the beverage supply chain has a common work process and a digital tool, the sustainability platform. In this introductory section, which touches on the three material topics of sustainability regarding human rights, good working conditions and reducing the environmental impact of production and cultivation, we review how the work is done.

Knowing where a product comes from and how it has been produced is crucial to the success of our work. To help us succeed within our own operations in this endeavour, during the course of the year we developed a new framework for sustainable procurement of services and indirect materials. The framework describes the sustainability requirements that Systembolaget imposes on its suppliers when procuring services and indirect materials.

We also want to create traceability and transparency in the beverage supply chain. Traceability is not an end in itself, but rather a prerequisite to be able to focus our efforts where they can make the most difference to a sustainable supply chain – all the way from the bottle in the store to the farmer’s field. This is a challenge given that Systembolaget’s operations are global, and our supply chain is complex. As the example on page 41 shows, many of our 800 beverage suppliers have sub-contractors – who in turn have their own sub-contractors.

TERMS AND CONDITIONS FOR PURCHASING AND THE CODE OF CONDUCT

All suppliers undertake to meet the requirements of our Code of Conduct; this is achieved by Systembolaget requiring each supplier to accept our Terms and Conditions for Purchasing. This gives us the conditions we need to be able to systematically monitor and secure the work with international guidelines on environmental considerations, human rights, working conditions, anti-corruption and business ethics. The code is based on amfori BSCI, a world-leading initiative for social

responsibility and sustainable working conditions for suppliers within cultivation and production.²⁷

The principle of compliance is that each supplier is responsible for the working conditions of its respective sub-contractors – producers and growers – throughout the supply chain.

The requirements in the Code of Conduct cover eleven areas

 Working hours	 Business ethics	
 Fair Remuneration	 Forced labour	 Child labour
 Discrimination	 Terms of employment	 Environment
 Health and safety	 Younger workers	 Freedom of association

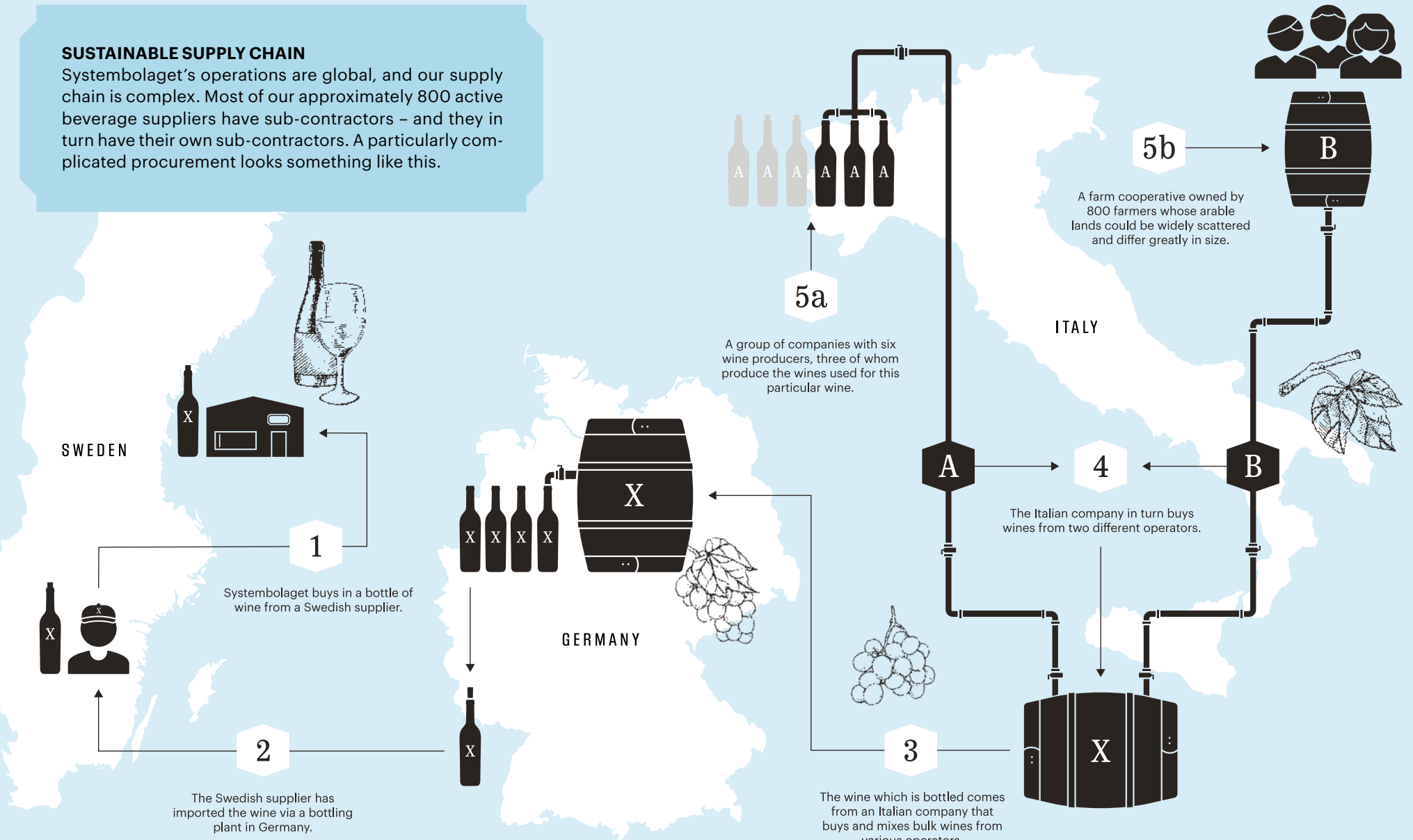
SUSTAINABLE SUPPLY CHAIN

The model describes our structured and systematic work in the supply chain. The different steps are described in the hexagons, while the different stages of the sustainability platform are shown in the arrows outside. Find out more about the sustainability platform on page 42.



SUSTAINABLE SUPPLY CHAIN

Systembolaget's operations are global, and our supply chain is complex. Most of our approximately 800 active beverage suppliers have sub-contractors – and they in turn have their own sub-contractors. A particularly complicated procurement looks something like this.



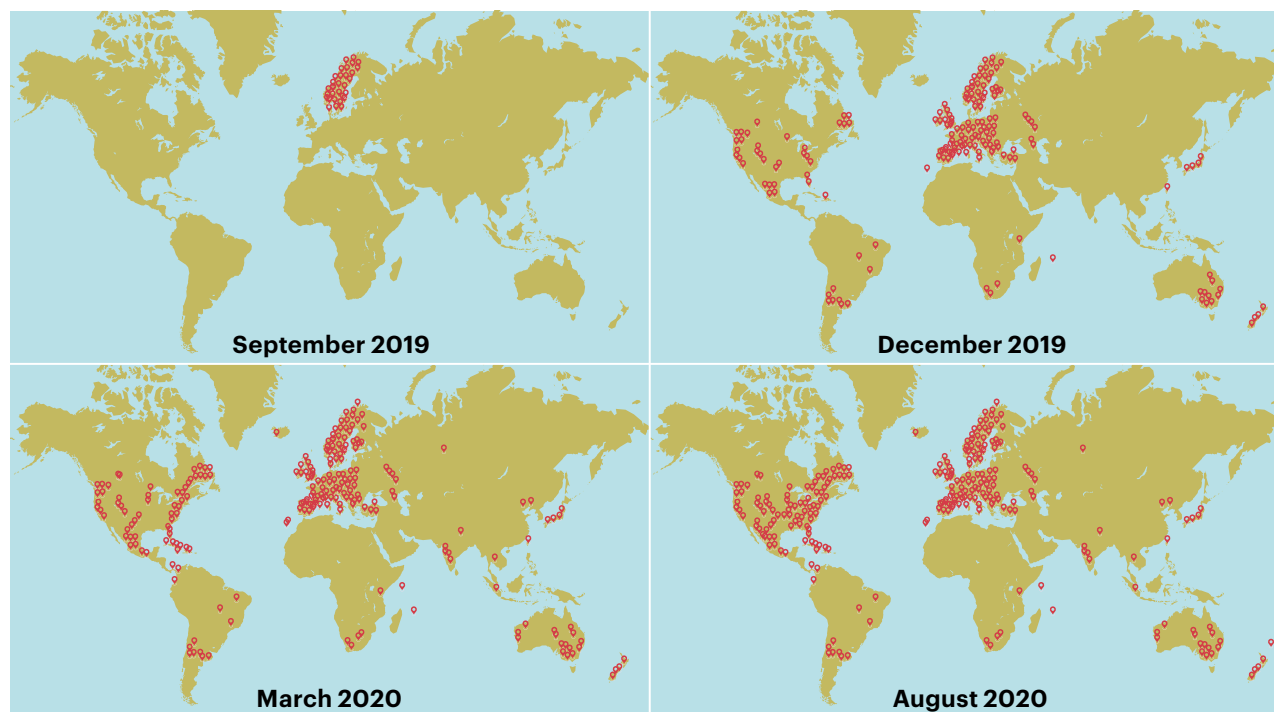
UNIQUE SUSTAINABILITY PLATFORM

The sustainability platform is a tool that helps us and our suppliers make our entire range traceable. Prior to September 2019, traceability in the beverage supply chain was documented manually in Excel files. At that time, around 1,000 partners had been identified, corresponding to 19% of sales volume. The pace picked up significantly following implementation of the digital sustainability platform. By August 2020, 4,300 beverage partners had been identified, corresponding to 95% of sales volume.

To ensure that our beverage range is sustainably produced, the sustainability platform was launched in 2019. This platform is key in our push for good working conditions, human rights and reduced environmental and climate impact. The digital tool collects and analyses information from the entire supply chain based on the requirements of our Terms and Conditions for Purchasing. In practice, this means suppliers, producers and growers behind each item in Systembolaget's Set Range mapping out their supply chain. Producers and growers are also asked to provide other sustainability-related information such as company details, any certification and answers to self-assessment questions. The end result is an assessment per entity in the supply chain that identifies where the greatest need for work to improve the supply chain is.

Systematic work based on analyses of the information in the sustainability platform allows us to:

- drive continuous improvement work at all stages of the supply chain;
- follow up incident reports more quickly if we uncover irregularities;
- make targeted training efforts if we see patterns to shortcomings at producer and grower level;



The pictures show how many partners have been added from September 2019 to August 2020.

- identify need for collaboration and partnerships, for example with local initiatives and industry bodies;
- be transparent with our supply chain in the long run and thereby take responsibility for and prevent risks linked to working conditions, human rights and environmental and climate impact; and
- meet our customers' increasing demand for where and how the items we sell are produced, so that they feel confident we are offering a sustainably produced range.

The ambition in our strategic plan 2020-2023 is to become a well-known role model within sustainability and contribute to a better tomorrow. When placed alongside other large buyers of alcoholic beverages, we are already at the forefront when it comes to traceability and risk analysis in the supply chain, and we want this to continue.

Promoting human rights and good working conditions in and around our supply chain



Promoting human rights and good working conditions is a prerequisite for a sustainable offering and a sustainable business. As one of the world's largest buyers of wine, beer and spirits, Systembolaget can contribute to sustainable development by setting requirements, creating incentives and collaborating with operators at various levels across our supply chain. The information gathered in the sustainability platform has not only made it easier for us to work systematically on following up our requirements, but also to identify the need for training initiatives and opportunities for stakeholder collaboration. Work in 2020 was characterised by monitoring how the pandemic affected the conditions of people working in our value chain around the world.

Why this is so important

Social sustainability is an important issue for Systembolaget. Our materiality analysis shows that this is a topic where we both make a great impact and have a big opportunity to make a difference. We can do this by influencing the conditions under which the products

we sell are produced. We want to take responsibility not only for safeguarding working conditions of those persons working directly in our supply chain, but also to work to reduce the risk of human rights violations and for those persons indirectly affected by our business operations.

Governance and strategic initiatives

Compliance with the UN's guiding principles for companies and human rights is included in the State's ownership policy for state-owned companies. These principles have helped us prioritise our efforts and have laid the foundation for how we work with human rights.

HUMAN RIGHTS DUE DILIGENCE (HRDD)

We use a so-called Human Rights Due Diligence (HRDD) risk management tool to identify risks linked to human rights affected by our business from a global perspective. Systembolaget's first analysis of HRDD work in our business was carried out in 2018 by the strategic sustainability consultancy Enact. We can now identify gaps in our working method, and this has let us address risks in a better way. These are included and addressed in ongoing development of our working method through, for example, our monitoring programme, sustainability platform, stakeholder engagement and training initiatives. Some of the focus areas related to human rights that we have worked on in 2020 are described below.

Employment rights

Some of the most critical risks are linked to issues of employment rights and are therefore handled primarily in our risk analysis and monitoring work. For example, we have included questions in our sustainability platform that deal with union membership, knowledge of living wages and whether employees are recruited via employment agencies in order to better identify these risks. Our analysis has also included the risk that human rights are not complied with in the supply chain.

Access to water

Together with the other Nordic monopolies, the Stockholm International Water Institute (SIWI) has conducted a global study on water and the impact on human rights in four of our wine-producing countries. A joint webinar based on the study was then held together with suppliers, industry bodies, producers and growers to discuss what the risks look like and what we can do to address them. Among other things, the Nordic monopolies decided to work together to expand stakeholder engagement with local operators and create toolboxes for producers to use in order to reduce water consumption. The next step is to initiate activities that improve the situation where the needs are greatest.

Alcohol abuse in the supply chain

Unfortunately, alcohol abuse is relatively common in some parts of our supply chain. In 2020, we identified a number of organisations in our largest purchasing countries who we can work with to reduce the harmful effects of alcohol at the production stage as well.

The focus going forward is to jointly identify specific measures.

Risks associated with sugar cane cultivation

One of the risks identified in our risk analysis was chronic kidney disease and work-related injuries linked to the production of rum. The Nordic monopolies have therefore drawn up a so-called “statement paper” regarding sugar cane cultivation in the supply chains for rum. It includes activities such as working for further traceability, offering training for producers and operators in the supply chain and increased stakeholder collaboration. In 2020, we engaged in dialogue and conducted test training with Swedish suppliers to form an understanding of the need for increased traceability.

New evaluation 2020

In its latest evaluation of our HRDD work, Enact assess to what extent our work is in accordance with the United Nations Guiding Principles on Business and Human Rights, as well as highlighting our most critical risks. The scrutiny revealed a number of areas for improvement linked to, among other things, our risk analysis and procurement process. The main differences from previous years were as follows:

- Enact advised us to divide the risks based on product category, i.e. wine and beer/spirits, in order to more clearly identify and work with the risks.
- Substandard housing conditions have been highlighted as a specific risk for our industry.
- The status of women, migrant workers and seasonal workers as particularly vulnerable groups was explained in more detail. Examples include how female partners of migrant workers are dependent on wages to survive and that women can be exposed to discrimination, harassment and sexual abuse.

- With regard to spirits and beer, the risk of human rights violations linked to land use, land acquisition and land seizure was raised.

These risks will be included in our risk analysis to better identify them in our supply chain, and we will also expand our stakeholder collaboration with local bodies working on these issues in our purchasing countries. You can read more about our critical risks and how we are working with them below.

RISK ANALYSIS

Risk analysis has shown that the most critical risks are at grower level. The analysis of risk at different levels in our business operation is also the basis for our sustainability follow-up. It is based on information provided by suppliers, producers and growers via the sustainability platform.

We believe we can exert the most influence when we are a large buyer. Therefore, in 2020, Systembolaget has continued to prioritise risk analysis of items in Set Range (approximately 2,700 items). Our risk assessment during the year focussed on sustainability indicators for social and environmental sustainability based on the following three components:

1. 19 risk indicators for human rights and the environment based on source (Verisk Maplecroft).
2. Assessment of producers’ sustainability certification (Intertek’s “Certification Benchmark Study”).
3. Self-assessment questions for producers that include our most critical risks such as living wage, union membership and temporary and unprotected labour force.

Sustainability follow-up

We follow up our risk analysis through, for example, third-party audits, desk-based monitoring, field visits and training initiatives. The type of follow-up that is deemed to be most appropriate is based on the level of risk identified and its nature.

Incidents

On occasion, Systembolaget receives incident reports of misconduct by producers who are not part of an existing process for sustainability follow-up. We then initiate an incident management process where, in close dialogue with our Swedish suppliers, we follow up on reported incidents wherever in the world they occur and regardless of which range the items concerned belong to.

TRAINING

We work actively to help operators in our supply chain gain an increased knowledge and better understanding of risks, our requirements and how they can work with them.

- In 2020, we offered suppliers and producers linked to rum production training in how to systematise their work on social responsibility according to amfori BSCI’s standard.
- As part of amfori BSCI’s work promoting conditions for its members to actively pursue continuous improvement in the supply chain, amfori made its digital training material available to its members’ subcontractors as well.

HUMAN RIGHTS IMPACT ASSESSMENT (HRIA)

Systembolaget has been carrying out audits of producers in Italy since 2014. Although these audits have been effective and shortcomings have been remedied, they have not been enough to deal with all the challenges

we face in that country. As is often the case, audits do not cover all human rights. There are also a large number of producers in Italy, which makes it difficult to probe all the way down to grower level where we know the risks are greatest.

In 2019, work was therefore initiated to carry out a so-called Human Rights Impact Assessment (or HRIA) in Italy in partnership with Oxfam Sweden, Swedish suppliers and their producers. This work has continued during 2020 and has also taken the impact of COVID-19 into account. The report is expected to be completed during the first quarter of 2021.

An important insight from the work for the report is that there is some resistance to this type of analysis in the industry in general. We have therefore clarified our Terms and Conditions for Purchasing to enable a more holistic approach in our sustainability work by using HRIA in the future.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is important at two stages - in identifying risks and also when trying to address them together with partners who have expertise in the area. Some examples of collaborations in 2020 are presented below.

Capacity building about the living wage

We organised a training event focusing on living wages in October. Fairtrade International, Unionen, Oxfam International and the producer La Riojana Cooperativa participated in the event. The purpose was to increase knowledge, both among ourselves and our suppliers, about the concept of the living wage and to discuss how we can start working on it together.

Participation in amfori

In 2020, Systembolaget was part of a working group at amfori tasked with updating the methodology for audits. Based on our HRDD, the two issues Systembolaget has pursued have been (i) facilitating checks of growers and (ii) making grower audits and results visible in a more transparent manner on amfori's system. amfori began implementing both issues during 2020.

Trade union international collaboration

Systembolaget has entered into a Memorandum of Understanding with the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF), Unionen and Systembolaget's Staff Association (SPF). The collaboration has been actively ongoing since 2017, and in March 2020 we received our first report from a South African trade union via the new joint reporting channel. The report concerned, among other things, the dismissal of a trade union representative and harassment of trade union members. In 2020, the partners in the collaboration have together sought to mediate between the various parties in the case and resolve the conflict. One outcome is that a cooperation agreement has been drawn up between the producer and the trade union.

During a dialogue with South African trade unions under the framework of the collaboration it was found that they know very little about our audit work. We have therefore implemented a change in our Terms and Conditions for Purchasing that requires trade unions to be informed that an audit is to take place and that they must approve any resulting action plans. This is verified by signature from the trade union.

CONSEQUENCES OF THE COVID-19 PANDEMIC

We worked internally in the spring to create a systematic external monitoring of what was happening in our supply chains due to the pandemic. The purpose has been to identify needs of suppliers and producers. One consequence was that we took an early decision to cancel ongoing follow-up activities such as audits and field visits. The decision was made to avoid adding additional workload onto an already strained industry, while we also did not want to risk increasing the spread of coronavirus. Training activities in the supply chain have also been mostly suspended, although we were able to switch some to a digital delivery. We have instead focused on analysing the impact of the pandemic and how Systembolaget can support various operators in our supply chain.

New methods of external monitoring

External monitoring has been carried out by questioning suppliers and through stakeholder engagement with industry bodies and sustainability organisations in the purchasing countries. Specific questions related to the pandemic have also been posed via the sustainability platform.

Insights from monitoring

The most salient insights from external monitoring have concerned difficulties transporting products and how little we know about how workers are being affected by the crisis in general. Other insights were (i) that the supply of products has increased as a result of closures of hotels, restaurants and catering, and (ii) the importance of continuing to keep sustainability work high on the agenda. Perhaps the most important feedback was that the industry wants Systembolaget to continue to be a stable business partner and is appreciative of this.

The industry also wants us to maintain continuity in our working methods as this creates predictability for suppliers and their producers. The indirect negative impact on human rights can be thereby reduced.

Measures based on the insights

In order to create greater transparency for our suppliers and their producers, ongoing work is continuously summarised on the Supplier Portal. Briefly, measures taken included:

- The purchasing process was maintained with a clarification that we would not take advantage of potential undercutting.
- A template to make things easier for suppliers invoking force majeure in cases where lack of availability could arise as a result of the pandemic was developed.
- Stakeholder dialogue with local industry bodies and trade unions was increased to gain better insight into how workers were being affected by the pandemic.

Enact evaluated our work on human rights in the supply chain linked to the pandemic and made the following observations:

- Systembolaget has, as far as possible, worked to ensure financial stability in the supply chain in order to safeguard jobs and thereby reduce the risk of negative impact. However, the mandate and resources for the work should have been clearer to ensure that human rights were respected.
- The analysis shows that we should use stakeholder engagement to gain better knowledge about risks to human rights in connection with the pandemic.
- Systembolaget published guidelines for its commercial partners regarding certain problems with employment rights; trade union organisation, personal

protective equipment, salary etc. However, equivalent guidelines or communications to affected rights holders, as well as financial resources to assist them, were lacking.

- In general, more measures were taken linked to the wine industry than the production of beer, cider and spirits.
- Systembolaget's decision not to take advantage of low prices should have been formalised in writing.

We will take these comments into account in our ongoing work on human rights linked to the pandemic.

Key figures and results

In 2017, Systembolaget began to systematically monitor the progress suppliers had made in their sustainability work via self-assessment in the form of a questionnaire. The questionnaire was sent to all suppliers of products in our Set Range. In 2020, using the sustainability platform, we have been able to secure data sets for new strategic key figures to increase transparency and facilitate development work.

PROPORTION OF PARTNERS INCLUDED IN RISK ANALYSIS

Our new system support has allowed us to monitor what proportion of partners are included in the risk analysis. The key figure measures the proportion of partners in Set Range who have fulfilled more than 75% of their requests on the sustainability platform and are thereby included in the risk analysis. Results are reported with a one-year time lag and reached 59% in the first year.

Proportion of partners in Set Range fulfilling more than 75% of their requests on the sustainability platform and thereby included in the risk analysis	2020 ¹
%	59.0

1) Reported with a one-year time lag.

Given that the system is new, and that suppliers and producers have spent a lot of time and resources getting acquainted with the new system, a new process and mapping their items plus responding to requests, we consider 59% to be a very promising start.

We currently prioritise working with items in Set Range on the sustainability platform (approximately 2,700 items). Set Range covers just over 95% of our entire sales volume and this is where we can make the biggest difference.

AUDIT RESULTS

To follow up on the outcome of our work on social conditions in the supply chain, we annually compile results from the audits that are carried out. We compare the results of the original audit with the results of the re-audit made one year later. This allows us to check whether the producers have improved their working conditions and if they are continuously working to safeguard human rights in their supply chain.

The summarised results of completed audits distinguish between significant and less critical deviations. amfori's rules are used to draw the threshold between them.

Based on the amfori BSCI 2.0 Code of Conduct	2020	2019	2018
Number of suppliers who participated in the evaluation of social conditions	9	71	85
Number of suppliers with significant negative impact on social conditions	5	23	54
Number of suppliers with less significant negative impact on social conditions	7	69	79
Number of identified significant deviations regarding social conditions in the supply chain	6,0	26,0	67,0
Number of identified less significant negative deviations regarding social conditions in the supply chain	42,5	354,5	472,0

Suppliers refers to mean producers and growers.

We only conducted 9 third-party audits in 2020. This was a consequence of our decision early in the year to suspend ongoing follow-up activities such as audits and field visits, due to the pandemic. According to amfori BSCI, all the audits carried out were so-called Follow-up Audits. Of these audits, one producer had improved its result and one producer was in full compliance with the Code of Conduct at the time of the audit. The results of three producers and two growers had deteriorated. The results of two producers were unchanged. The areas that stood out positively in 2020 were freedom of association and collective bargaining, especially employment protection for young employees, forced labour and ethical business behaviour. Most negative impact was noted within occupational health and safety, employee involvement and implementation of social management systems. Despite the limited number of audits carried out in 2020, it is still

gratifying that for the second year in a row there were no Zero Tolerance deviations.

Two incidents were dealt with in 2020. One was included in the first incident report received via our collaboration with IUF and Unionen. The other followed our usual incident follow-up process and was closed within the year of 2020.

Our hope is that the situation in the outside world will soon improve so that we have more freedom to return to our follow-up activities addressing identified risks in the supply chain. This applies to audits and field visits as well as training initiatives and local collaboration.



Reducing the environmental impact of production and cultivation



A large part of Systembolaget's environmental impact occurs before products reach our stores. This is why it is so important for us to work together with our growers, producers and suppliers to use natural resources in a sustainable way and create conditions for biodiversity. In 2020, we made our environmental requirements more specific – and exceeded our goal for organic products.

Why this is so important

Systembolaget operates in an industry that is completely dependent on arable land, a benign and stable climate and access to energy, water and other resources. At the same time, as an industry we exert an impact on precisely these conditions in a direction that is not sustainable over time. We therefore have a special responsibility to act, steer and drive development in the right direction – towards sustainable cultivation and production where negative environmental impacts are prevented, and where human health, functioning ecosystems and the conservation of finite resources are our ultimate priority.

Governance and strategic initiatives

Our sustainability strategy has a number of environ-

ment-related goals. One goal for 2030 is for "Cultivation and production to take place with sustainable use of resources and with minimal emissions to air, land and water". Creating awareness, understanding and insight into one's own environmental impact among suppliers, producers and growers are all crucial if improvements are to occur. We therefore need to raise understanding of what the requirements in our Code of Conduct mean in practice.

ENVIRONMENTAL REQUIREMENTS

All our suppliers, producers and growers need to sign our Terms and Conditions for Purchasing. This includes our environmental requirements. The environmental requirements were clarified in 2019 and 2020 to become more specific and practically applicable as regards energy, climate, resources, waste, water management, chemical use and biodiversity.

Implementing the clarified requirements

Training for our suppliers was provided in the autumn to increase awareness and understanding of the practical significance of the requirements. This is laying the foundations for upcoming targeted initiatives in 2021 in the form of communication and support for proactive and systematic management of the environmental impact of cultivation and production. Work will continue over the coming year. It will be regularly evaluated to ensure a gradually reduced environmental impact during cultivation and production.

Water

In 2020, the Nordic alcohol monopolies collaborated on the issue of how cultivation and production of alcoholic beverages affects water supply and what impact this has on human rights. More information is available on page 43.

Environmental certification of the supply chain

Organic cultivation and production of raw materials for beverages is an important part of our effort to influence our industry in the right direction. The large interest our customers have in our organic product range is also sending clear signals to operators in a variety of countries and from many sources. We have actively and successfully pursued this line of development since the beginning of the 2000s. New variants of sustainability certification programmes have emerged in recent years, primarily in wine production, with a focus on environmental issues such as water, energy, climate and biodiversity. We welcome and promote this trend, which has sprung from regional involvement at the production stage. Additional pieces of the puzzle are therefore now in place to support and step-up local involvement at the supplier level for long-term sustainable cultivation and production.

Key figures and results

In our efforts to reduce Systembolaget's environmental impact in the supply chain, we have, for a number of years, been investing in meeting the high customer

demand for organic beverages.

ORGANIC CONTINUES TO INCREASE

Ten years ago, Systembolaget set a goal that by 2020 at least 10% of everything we sell would be organic (in terms of volume). That goal was reached as early as 2016. This year we reached another impressive figure – almost 25% of all wine sold was organic.

Total organic sales in 2020 amounted to 53.7 million litres of wine, 18.2 million litres of beer, 3.4 million litres of cider and ready-to-drink beverages, 1.2 million litres of spirits and 0.7 million litres of non-alcoholic beverages.

Organic sales share	2020	2019	2018
Volume as a % of total sales	13.6	13.3	13.0

Organic in 100 of 160 product segments

Our ambition is to offer organic items in as many product segments as possible. Work towards this begins at the tender stage. This task is already well under way. Currently, organic items are present in 97 of our 160 segments.

Organic range	2020	2019	2018
Number of items	501	466	448
Number of segments with organic items	97	93	91

In this context, organic range refers to items in the Set Range and product segment means groups of related products.

Financial reporting

Financial developments

Systembolaget has exclusive right to retail strong beer, wine, spirits, other fermented beverages and alcoholic beverage-like substances in Sweden. This exclusive right has a social policy objective to limit the harmful effects of alcohol. This is achieved, firstly, by excluding a private profit motive from the alcohol retail trade, and secondly, by limiting availability. Our owner the Swedish state sets us a number of goals based on this, with the primary ones being the mandate goals. Fulfilment of the mandate goals is measured based on the Satisfied Customer Index, Alcohol Index, alcohol consumption in Sweden and Systembolaget's share of overall consumption. According to our owner, the primary goal is the benefit to society. The secondary goal is for us to deliver a pre-determined return on investment over time as set by the owner, which is monitored through a number of financial goals. Systembolaget must be run commercially without the aim of maximising profits.

ORGANISATION

Systembolaget's business operations are conducted via 448 stores and the company is present in every municipality in Sweden. There are also 481 agents spread right across the country from whom customers can order goods for collection. Systembolaget also offers home delivery in six counties plus the Mälaren valley, thereby reaching approximately 65% of the population entitled to purchase alcohol in Sweden. Systembolaget AB is 100 percent owned by the Swedish state and there are 360,000 shares in the company.

Business operations are carried out through Systembolaget AB and its wholly owned subsidiaries IQ-initiativet AB and AB K14 Näckströmsgatan. IQ-initiativet works on information aimed at preventing and reducing alcohol-related harm. K14 Näckströmsgatan

administers the real estate used in Systembolaget's business operations.

SALES

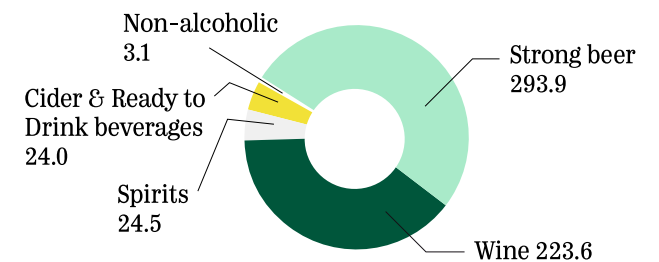
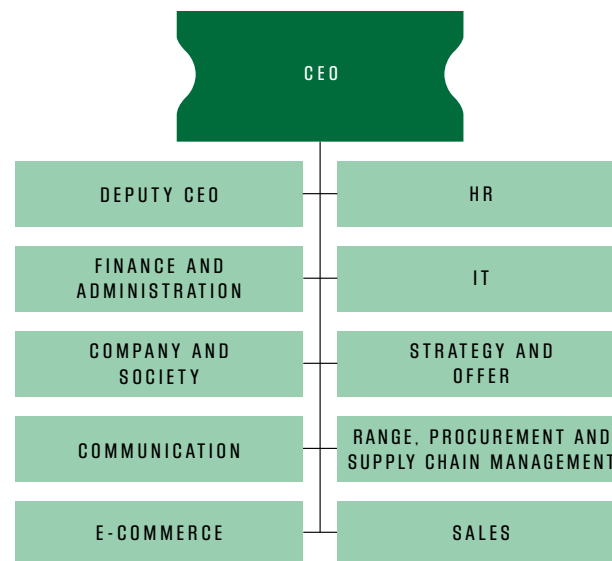
Systembolaget's sales revenue increased by 14.1% compared with 2019 to MSEK 36,737 (32,211). Wine sales were MSEK 18,653 (16,771), an increase of 11.2%. Sales of strong beer increased by 14.9% to MSEK 8,879 (7,726). Sales of spirits increased by 20.8% to MSEK 7,684 (6,363). Cider and Ready to Drink beverages increased by 10.3% to MSEK 1,018 (923). The sales volume increased by 11.2% during the same period, amounting to 569.1 (511.9) million litres. The per capita sales volume (litres of pure alcohol per capita) increased slightly compared with the previous year. Our higher sales volume is assumed to be largely due

to Systembolaget's share of total purchases having increased as a result of COVID-19. Other sales channels such as passenger imports and restaurant visits were severely restricted, which positively impacted Systembolaget's sales volume.

See page 20 for more information about the most recently published Monitoring Measurements²⁸ which show total alcohol consumption and the impact of COVID-19.

Sales of organic items increased by 15.2% to MSEK 5,551 (4,818), accounting for 15.3% of total sales in kronor. Sales of ethically labelled items amounted to MSEK 779 (773), an increase of 0.8%.

Sales of non-alcoholic items fell by 15.1% to MSEK 186 (214). The lower sales of non-alcoholic items was assumed to be due to fewer large social gatherings where a non-alcoholic alternative is usually made available.



Beverage sales 2020 (million litres)

FUTURE SALES DEVELOPMENTS

While total alcohol consumption fell by 9% between 2010 and 2019, up until this year Systembolaget's sales development has been relatively stable with an annual revenue increase of around 2–5%. The alcohol tax rises introduced in 2015 and 2017 respectively amount to approximately 1–2% of the sales increase. Systembolaget's increased sales share in recent years is to some extent explained by a marked drop in passenger imports. The lower kronor exchange rate in the past few years has most likely been a contributing factor to this. COVID-19 contributed to a further reduction in passenger imports in 2020 at the same time as the part of our sales that is attributable to cross-border trade (above all with Norway) has fallen. Additional restrictions that have hit the restaurant industry hard have increased Systembolaget's sales share. The impacts of the pandemic are also likely to affect sales development in the coming years. The volume development for Systembolaget in 2020 was significantly higher than expected and although the rate of development is expected to slow down in 2021, it will remain relatively high. Certain differences between product categories can be seen, which are mainly affected by price and trends:

- In recent years, growth has been strongest for cider and ready to drink beverages. The situation shifted in 2020, with ready to drink beverages, spirits and beer as the fastest growing product categories.
- Non-alcoholic is the only product category for which sales fell in 2020. This was most likely due to rapidly changing social habits related to COVID-19. Sales of non-alcoholic beverages are expected to recover, but not at the same rate of growth as in recent years. Other retailers have also expanded their range to meet customer demand, which means increased

competition within this product category.

- Sales of spirits surged in 2020. This is largely due to the impact of the pandemic on other sources of procurement, such as passenger imports. Going forward, the volume is expected to continue to increase, although not as fast.
- Beer and wine sales are expected to increase in line with population growth and as per previous years.
- It is assumed that the trend towards more expensive items in all product categories will continue in the next few years, albeit with a certain slowdown.
- Organically labelled products have grown rapidly in recent years and this is expected to continue into the future.
- Sales of beverages in climate-smart packaging varied over the year depending on season. Customers want to contribute to reducing climate footprint and Systembolaget will continue to work for a transition from heavy glass bottles to more climate-smart packaging such as box packaging, PET plastics, lighter glass and cans.

OPERATING PROFIT (LOSS)

Systembolaget's operating profit amounted to MSEK 542 (229). The increase in operating profit is due to an increased gross profit resulting from an increased sales volume (which was a consequence of an increased share of overall consumption).

Selling expenses amounted to MSEK 3,296 (3,121). The increased selling expenses are primarily due to increased personnel costs related to a higher sales volume. Our stores have also incurred additional costs linked to COVID-19, such as plexiglass screens at store checkouts and external contractors to help both with in-store gated entry and to cover increased short-term

sick leave. Investments in development projects for digital customer encounters and long-term streamlining continue, which also impacted selling expenses. For example, in autumn 2019 Systembolaget opened a new goods depot outside Stockholm to cope with increased e-commerce. Systembolaget also opened its new online store during the autumn of 2020. Increasing e-commerce entails increased ancillary costs such as shipping and packaging. Selling expenses were also affected by higher costs for premises, which is attributable to more and larger stores as well as annual indexation of rental charges. A number of streamlining measures have also been implemented, for example the introduction of cashless checkout tills inside stores.

Administrative expenses increased compared to the previous year, amounting to MSEK 843 (779). This is mainly explained by increased personnel costs as well as increased communication costs in connection with the launch of Systembolaget's "Different for a reason" concept. Administrative expenses have also been affected by increased IT costs due to development of the digital customer encounter, as well as investments in sustainability. Costs for the year have been reduced as a result of, among other things, administrative streamlining.

NET FINANCIAL INCOME/EXPENSE AND PROFIT (LOSS) BEFORE TAX

Pre-tax profits amounted to MSEK 597 (304). Net financial income/expense was MSEK 30 (75) of which MSEK 30 (26) concerned interest income from financial investments, MSEK -17 (33) concerned changes in value of financial investments and MSEK 17 (16) concerned dividend from Systembolaget's subsidiary AB

K14 Näckströmsgatan. A strong negative development in the market values of Systembolaget's investments occurred in March and April in connection with the global outbreak of COVID-19 which shook the market. However, the portfolio gradually recovered and returns were positive for the full year. As of 31/12/2020, 44% (32%) of Systembolaget's financial investments consisted of green bonds.

CASH FLOW

Cash flow from operating activities was MSEK 674 (480) The change compared to the previous year primarily refers to a timing difference for payment dates regarding trade creditors. Cash flow from investing activities was MSEK 24 (112), of which MSEK -117 (-134) mainly concerned new construction/remodelling of stores and MSEK 141 (246) concerned net change in financial investments. Cash flow from financing activities was MSEK -223 (-164), of which MSEK -240 (-180) concerned dividend to the owner and MSEK 17 (16) is dividend from Systembolaget's subsidiary AB K14 Näckströmsgatan.

FINANCIAL POSITION

As per 31/12/2020, equity was MSEK 1,794 (1,563), which is an increase of MSEK 231 on 31/12/2019. The change consisted of the profit for the year minus dividend to the owner, which amounted to MSEK 240 (180).

SUMMARY OF SUBSIDIARIES

IQ-initiativet AB (IQ) works for a smarter approach to alcohol. It does this by using knowledge and communication to create awareness, reflection and engagement around one's own drinking and that of others, thereby contributing to reducing the harmful effects of alcohol in society. Systembolaget funds IQ to the sum

of MSEK 40 (35). Pre-tax profits amounted to MSEK 6.2 (-1.4), which reflects re-prioritised communication efforts as a consequence of COVID-19.

AB K14 Näckströmsgatan administers the real estate used in Systembolaget's business operations. Pre-tax profits amounted to MSEK 21.8 (22.1). This result is attributable to intra-group rental income.

LEGAL SITUATION

To protect public health it is important for Sweden to have a coherent, restrictive alcohol policy. This presupposes alcohol legislation in harmony with societal development and a well-functioning supervision.

Cross-border distance selling examined by the Patent and Market Court

Systembolaget has identified a need to clarify the legal situation surrounding cross-border distance selling – when operators sell alcoholic beverages online through distance sales and include delivery of the products to consumers in Sweden.

In February 2020, Systembolaget filed a complaint against Vivino ApS with the Patent and Market Court for illegal marketing of cross-border distance sales online, including delivery of goods, to consumers in Sweden. The main hearing was carried through in March 2021.

The Patent and Market Court issued its judgement in the case against the Winefinder companies in October 2020. The Court ruled that the Winefinder companies' operated a retail trade business of alcoholic beverages in Sweden through online sales. The Alcohol Act stipulates that all sales of alcoholic beverages (including

online sales) shall be sold through the retail monopoly that Systembolaget holds, why the Winefinder companies' cross-border retail sales with delivery to consumers were in breach of the Alcohol Act. Therefore, the Winefinder companies' marketing of the illegal online retail sales was considered to give the impression that the activity was legal and thus in breach of the Marketing Act, why it was banned by the Court. The Winefinder companies have appealed the judgement to the Patent and Market Court of Appeal, where the case is currently being processed.

In July 2020, business operations carried out by Skål AB via the app Skål and the website www.skalapp.se were reported to the police for breaching alcohol legislation. The preliminary investigation is ongoing and a decision on whether to prosecute is expected to follow.

Inquiry into farm sales

An inquiry into farm sales of alcoholic beverages in Sweden was launched in the autumn. The starting point for the inquiry is that Systembolaget's exclusive right must be safeguarded. The inquiry is part of the so-called January agreement, a four-party arrangement between the Social Democrats, the Green Party, the Centre Party and the Liberals.

EVENTS AFTER THE BALANCE SHEET DATE

In February, Magdalena Gerger, CEO of Systembolaget, announced that she was leaving her post in the first quarter of 2022. The Board has begun work to identify her successor.

Risk and Sensitivity Analysis

Systembolaget's goal for its risk management work is that it should be an integral part of corporate governance and contribute to the owner feeling secure in how Systembolaget is fulfilling its mandate and managing its risks.

RESPONSIBILITIES

Responsibility for risk management within Systembolaget follows the lines of defence set out by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Managers and project managers have the main responsibility for managing their risks and are thus by definition risk owners. Risk controllers support business operations and check and review compliance with Systembolaget's risk management framework. The internal audit, which is carried out by an external company on behalf of the Board, reviews whether Systembolaget's risk management framework and activities are appropriate and effective.

WORKING METHOD

The working method for risk management within Systembolaget is harmonised with COSO and the ISO-31000 risk management standard. Processes, categorisation and organisational breakdown of risk management within Systembolaget are clarified in the framework laid down by the Board and senior management. Systembolaget's risks are reported and followed up every six months by senior management and the Board through the Audit Committee.

INSURANCE

One part of work to reduce Systembolaget's risk exposure involves the company taking out various insurance policies. Systembolaget's insurance programme includes property insurance and business interruption

insurance, general liability insurance and product liability insurance. The programme is administered by Systembolaget's Protection Unit with the help of an insurance broker. Other insurances policies include insurance against occupational injuries held through collective bargaining agreements. These policies are administered by Systembolaget's HR Department.

Traders are required to hold a number of these insurances by law while Systembolaget has also chosen to take out further insurances beyond statutory requirements to guarantee the well-being, safety and security of our employees and the business.

CRISIS AND CONTINUITY MANAGEMENT

The working methods for crisis and continuity management are split between Risk Control and the Protection Unit, with the later responsible for crisis management. To strengthen capabilities, there are established forums where incident, risk, crisis and continuity management are discussed and developed. Crisis management and continuity plans are tested and updated every year as far as is practically possible.

FINANCIAL RISK MANAGEMENT

Financial risks such as interest rate, credit and liquidity risks are limited. Systembolaget is self-financed, thanks in part to a high inventory turnover rate that matches our procurement and payment terms.

Systembolaget has no interest-bearing liabilities. All sales take place in the form of cash or card payments and thus Systembolaget has no significant trade receivables. Beverage suppliers are responsible both for importing alcoholic beverages and declaring alcohol tax. Systembolaget's purchases are mainly made in

Swedish kronor and the company thus has minimal exposure to exchange rate and currency risks. Further information on the management of financial risks is available in Note 12, Financial Instruments.

SYSTEMBOLAGET'S RISKS

Areas in which Systembolaget has its largest risk exposure, including risks from a sustainability perspective and climate-related financial risks and opportunities, are presented below.

RISK AREA	DESCRIPTION	COMMENTS
COVID-19	The future dynamics of COVID-19 infection in the population creates uncertainties in both the planning and implementation of Systembolaget's business operations.	Systembolaget has several ongoing working groups and crisis management on standby to continuously deal with situations arising from the pandemic.
Outside world	Developments in Swedish society contribute to uncertainties surrounding how Systembolaget will be able to meet our customers' ever higher expectations of how the company makes its products available.	Systembolaget works continuously for permanent improvements in the customer encounter in order to proactively address changing requirements.
Legislation	A prerequisite for Systembolaget's exclusive right is that Swedish legislation in the area is coherent and consistent and subject to proper supervision. At present, ambiguities exist in both legislation and supervision, which creates uncertainties in the context under which Systembolaget operates.	Systembolaget is ever vigilant and continuously reviews the legal context in which it operates.
Working conditions	A risk of robbery is ever present in the type of retail trade which Systembolaget engages in. Unfortunately the company is no stranger to threats and incidents of violence against employees. Hence there is always a degree of uncertainty as to whether the security-enhancing measures that are in place within the company are sufficient to handle this problem.	Systembolaget manages the risk continuously through its Protection Unit and reviews the degree of awareness and exposure to threats and violence among its staff.
Independence	Given Systembolaget's exclusive right, there is always a risk that stakeholders try to influence the company's procurement processes, and thereby its range, in multiple ways.	As an important part of our anti-corruption work, Systembolaget works to constantly raise the level of awareness among our employees and to provide information and clarification regarding our procurement procedures and terms and conditions to our stakeholders. Systembolaget also continuously reviews the appropriateness of its procurement process.
Data security	Systembolaget is becoming more and more IT-based, which means that the threats facing data security are increasing at the same time as attacks become more sophisticated.	Systembolaget works systematically on IT and data security with established goals, structures and increased awareness.
Transparency in the supply chain	Systembolaget operates in an industry where, in historical terms, traceability and transparency in the supply chain have been considered unnecessary. For product formulation reasons, such lack of traceability and transparency may, in some cases, even constitute a competitive advantage for certain subcontractors. This makes it difficult for Systembolaget, and to some extent our suppliers as well, to fully understand all levels of the supply chain.	Systembolaget conducts annual surveys to identify risk areas. Systembolaget has put system support in place to make its monitoring more effective (see page 42).
Complex supply chains	Systembolaget operates in an environment with complex supply chains and with a complex business model with an exceptionally large spread of purchases from many regions and countries. This often entails relatively insignificant volumes per trader, which gives Systembolaget a lower degree of influence and less opportunity to check compliance with sustainability requirements.	Systembolaget carries out annual audits of suppliers and producers in order to gain increased control over the products being sold. These audits are also supplemented with training initiatives at producer level. Systembolaget has put system support in place to make its monitoring more effective (see page 42).

RISK AREA	DESCRIPTION	COMMENTS
Compliance with the Code of Conduct	The large number of suppliers and subcontractors results in a diverse supplier base which creates scale problems for monitoring. Under the company's equal treatment procedure, all suppliers, regardless of size, must also meet the same requirements. These areas create uncertainties regarding compliance with our external Code of Conduct.	Systembolaget works on increasing skills, making requirements clearer, improving monitoring, measures and consequence activities to achieve increased compliance with our Code of Conduct and reduce the risk of corruption.
Increased alcohol-related harm	Systembolaget's opportunities to implement its mandate to minimise the harmful effects of alcohol at both individual and societal level is made more difficult when the exclusive right is challenged. Increased alcohol consumption would lead to increased societal costs for, among other things, the police and healthcare system due to increased violence, more traffic accidents and higher sick leave.	Systembolaget's exclusive right to sell alcohol without the aim of maximising profit is in itself a solution to minimise the harmful effects increased alcohol consumption would bring. Availability is limited by the number of stores and opening hours as well as by sales rules - to always sell responsibly and without aiming to maximise profit.
Secondary harm	Alcohol doesn't just harm the drinker but also other people in the vicinity, with children particularly vulnerable. It is estimated that 320,000 children in Sweden are harmed by a parent or guardian's alcohol consumption while growing up. ²⁹ 14% of year 9 students state that they have had multiple negative experiences of their parents' alcohol consumption while growing up ³⁰ .	Systembolaget works to limit the harmful effects of alcohol by selling responsibly and informing about the risks of alcohol. Systembolaget provides information on its website omsystembolaget.se, issues its Alcohol Report and organises seminars and research conferences. Systembolaget works specifically with the issue of children through the <i>Barndom utan baksmälla</i> initiative.
Production	Systembolaget's products require cultivated land and natural resources to be produced. Hence, competition for land and natural resources may arise when an ever-growing global population needs to be supplied through the land and water supply available in the face of current climate change.	Systembolaget currently runs training initiatives with a sustainability perspective at producer level in order to contribute to sustainable development in unison.
Taking responsibility	A future increase in climate-related areas of concern and conflict creates challenges for controlling Systembolaget's suppliers. This increases uncertainty surrounding whether Systembolaget's products are produced based on good social conditions where human rights are respected.	Systembolaget has implemented system support to make monitoring more effective and thereby create greater traceability and transparency in the supply chain (see page 42).
Opportunities for our range and supply	Climate change makes growing conditions and competition for raw materials and products in Systembolaget's range hard to predict. This creates future uncertainties regarding Systembolaget's ability to supply products from the areas affected.	Systembolaget works on having a depth to its range where many sources are represented. This lessens vulnerability in the event of failure in regional production or delivery.
Adjusting our offering	Increasing demands from customers and other stakeholders require rapid adjustments if we are to meet customers' expectations of our climate work.	Systembolaget is in the process of carrying out strategic work to reduce the climate impact of packaging and transport (see pages 27-30) and to create conditions for sustainable choices (see page 18).

Corporate governance report

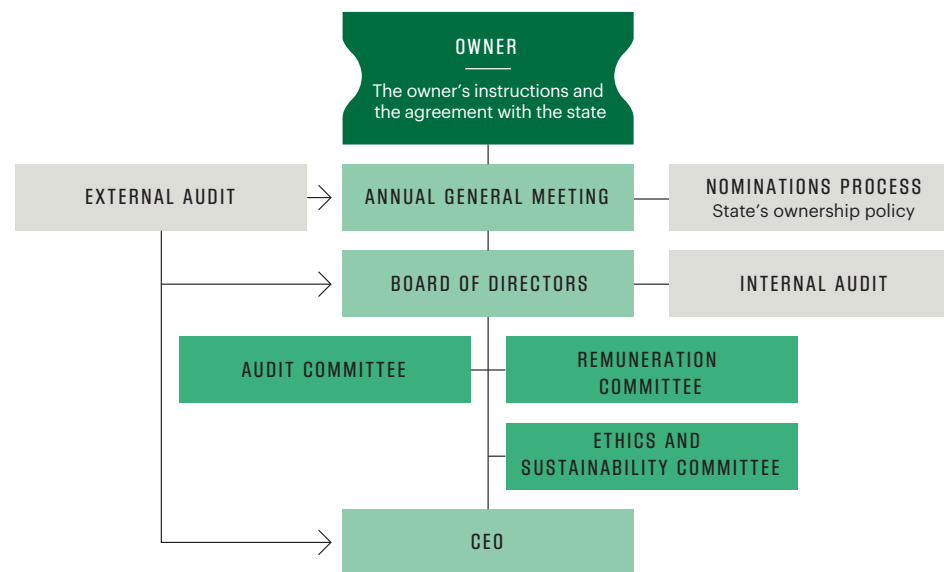
Systembolaget AB is 100 percent owned by the Swedish state. The government administers its ownership through the Ministry of Health and Social Affairs. Responsibility for Systembolaget's management and control is divided between the owner, the Board and the CEO.

Systembolaget's mandate is to sell alcoholic beverages and related preparations with exclusive right and with responsibility and good service, as well as to inform about the harmful effects of alcohol. Systembolaget exists for everyone in Sweden with the aim of contributing to improved public health by limiting the harm alcohol causes in society. The exclusive right means that Systembolaget is the only company allowed to retail strong beer, wine, spirits, other fermented beverages and alcoholic beverage-like substances in Sweden. Systembolaget's retail monopoly is regulated in the Alcohol Act and based on the public interest acceptable under EU law of protecting public health against the harmful effects of alcohol.

THE OWNER

The requirements the owner places on Systembolaget are specified in the agreement between Systembolaget and the Swedish state, in the owner's instructions and in the state's ownership policy and principles for state-owned companies 2020. The agreement and the owner's instructions set out the basis for Systembolaget's business operations with regard to its social mission, the requirement for financial efficiency and general operational requirements. The agreement and instructions also specify that Systembolaget is not driven by sales targets or profit maximisation. The owner determines Systembolaget's business purpose through the Articles of Association. The owner's expectations for Systembolaget as a state-owned company are determined by the ownership policy. The owner issues directions to Systembolaget's Board through the owner's instructions. The owner has decided on three mission goals as well as financial targets for Systembolaget, as set out in the owner's instructions. The mission goals are primary, and the financial targets are secondary to the mission goals. Fulfilment of the mission goals is measured based on the Satisfied Customer Index, Alcohol Index, alcohol consumption in Sweden and Systembolaget's share of overall consumption. The financial targets comprise requirements on equity/assets ratio, return and dividend as well as a measure of cost-effectiveness.

Representatives of the owner and Systembolaget's Chairman and CEO meet four to five times a year. Representatives from Systembolaget's senior management other



than the CEO participate in these meetings as needed. Topics discussed at these meetings during the year were monitoring business operations (including follow-up of the mission goals), the financial targets and sustainability goals. Questions concerning Systembolaget's online store, cross-border distance selling, Systembolaget's security protection work, issues related to the ongoing coronavirus pandemic, sustainability issues, legal issues and other topics relevant to the company were also discussed. The owner exercises its rights as shareholder at the Annual General Meeting.

ANNUAL GENERAL MEETING

According to the state's ownership policy, the Annual General Meeting must take place before 30 April each year. Members of the Swedish Parliament have the right to attend the Annual General Meeting provided they register in time. The general public is also given the opportunity to participate.

Systembolaget's Annual General Meeting for 2020 was held in Stockholm on 23 April and was open to the general public. The owner was represented by Director-Gen-

eral for legal affairs Lars Hedengran from the Ministry of Health and Social Affairs. Due to the ongoing pandemic, it was possible to attend this year's Annual General Meeting via a link. Shareholders reached a number of decisions at the Annual General Meeting, including the election of Göran Hägglund as the new Chairman of the Board of Directors. The following Board members were also re-elected: Viveca Bergstedt Sten, Robert Damberg, Anders Ehrling, Ulrika Eriksson, Cecilia Halle, Barbro Holmberg, Frida Johansson Metso and Håkan Leifman. The Board's proposed "Guidelines for remuneration and other terms of employment of senior management in Systembolaget AB" was adopted. A full copy of minutes from the Annual General Meeting is available on omsystembolaget.se. The Annual General Meeting for 2021 will take place in Stockholm on 22 April.

Principles of corporate governance

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

- | | |
|--|--|
| the Companies Act | the agreement between Systembolaget and the state |
| other applicable Swedish legislation | the owner's instructions issued by the state to Systembolaget (the owner's instructions) |
| the Swedish code of corporate governance (the Code) | the Articles of Association |
| the state's ownership policy, which also includes principles for corporate governance, principles for remuneration and other terms of employment for senior management and principles for external reporting | the rules of procedure of the Board and the Board's committees |
| | the CEO's instructions |
| | internal governing documents |

BOARD OF DIRECTORS

Systembolaget's Board is responsible for the company's organisation and the management of its affairs. The state's ownership policy specifies that the Board is

responsible for ensuring that the companies are managed in an exemplary manner within the framework set by legislation, the company's articles of association, the owner's instructions and the state's ownership policy. Part of the Board's work to ensure that Systembolaget's business operations have the confidence of the general public is to establish relevant policy documents and annually evaluate current policies. This material is published on Systembolaget's website. The Board has a duty to manage the company's capital in the best possible way and to ensure that the company's mandate are carried out properly and that business operations are conducted in a way that promotes sustainable development from financial, social and environmental perspectives.

Appointment of the Board

The appointment of the Board follows the nomination process and the principles described in the state's ownership policy and is coordinated by the Ministry of Enterprise and Innovation. The need for skills and expertise is analysed on the basis of Systembolaget's business operations, situation and future challenges, the composition of the board and evaluations completed by the Board.

The state's ownership policy, which also constitutes the diversity policy applied in respect of the Board, states that members are selected from a broad recruitment base in order to take advantage of the skills and expertise of both women and men, as well as persons with different backgrounds and experiences.

Prior to the Annual General Meeting for 2020, the owner submitted a motion regarding the nomination of the Board and the change was put forward. The proposed Board members were deemed to have the skills, experience and background relevant for the company's governance. The proposed Board was deemed to have an appropriate composition with regard to the company's business operations, development stage and other general circumstances and was characterized by versatility and breadth regarding the members' skills, experience and background. The proposed Board was also deemed to meet the Government's goal of an equal gender ratio in accordance with the ownership policy.

More detailed information regarding nomination of the Board can be found in the state's ownership policy.

Composition of the Board

Under the Articles of Association, Systembolaget's Board of Directors shall consist of a minimum of six and a maximum of nine permanent members appointed by the general meeting. Employee organisations also have the right to appoint members to the Board.

Systembolaget's Board consists of 9 board members elected by the Annual General Meeting. Five of these members are female and 4 male. There are also 2 employee representatives plus 2 deputies on the Board. These individuals are appointed by the employee organisations. Two of the employee representatives are female and 2 are male. None of the Board members belong to the senior management of the company. Information about Board members can be found on pages 64-66.

Systembolaget's CEO and CFO take part in Board meetings. Systembolaget's Company and Society Director is the Board secretary. Other senior management participate when needed.

The Chairman leads the work of the Board and checks that the Board discharges its duties in accordance with both the Companies Act and the Code. The Chairman continuously consults with the CEO on strategic issues and is responsible for contacts with the owner on ownership-related issues. The Chairman also has additional duties specified in the Board's rules of procedure.

The work of the Board

The Board's rules of procedure specify how the work is distributed between Systembolaget's Board, its owners, its committees and the CEO. The rules of procedure are reviewed annually, and a new version was adopted at the Board meeting following election in April 2020. According to the rules of procedure, the Board shall, as a general rule, hold at least five ordinary Board meetings per financial year in addition to the Board meeting following election.

The structure of the work of the Board is specified in the Board's work plan as determined annually. The work plan forms the basis for planning the work of the Board and specifies at what time during the financial year the Board has to deal with specific areas of responsibility.

A collection of documents entitled "Acts, governing documents etc. for System-

Deviations from the Code

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

Code rule	Deviation	Explanation/comments
1.1 Publication of information regarding shareholders' right of initiative	Not published	The purpose of the rule is to give shareholders the opportunity to prepare for the Annual General Meeting in good time and to have a matter included in the notice convening the Annual General Meeting. There is no reason for 100% state-owned companies to follow this rule.
2. The company shall have a nomination committee that represents the company's shareholders during the election and remuneration of the Board and auditor	The nomination committee has not been set up	The nomination process for the Board and auditors in state-owned companies takes place in the same way and follows the state's ownership policy; see the above description.

bolaget AB" has been produced to support the work of the Board. The collection contains legal texts relevant to the business, documents from the EU, company-related documents, ownership-related documents and agreements, investment regulations, the current strategic plan for Systembolaget, Systembolaget's Code of Conduct, policies, internal rules and information about Systembolaget's subsidiaries.

The Board shall safeguard and promote a good corporate culture. Avoidance of conflicts of interests in the Board is regulated by the Board's rules of procedure and by the Companies Act (ABL 8:23). When Systembolaget is faced with particularly important decisions, such as major strategic changes in its business operations, the Board, acting through the Chairman, must coordinate its views with representatives of the owner.

The Board is tasked with identifying how sustainability issues affect the company's

BOARD MEETING ATTENDANCE 2020

Name	Board	In attendance	Audit committee	In attendance	Ethics and Sustainability Committee	In attendance	Remuneration Committee	In attendance
Kenneth Bengtsson ¹	Chairman	3/3	-	-	-	-	Chairman	2/2
Göran Hägglund ¹	Chairman	7/7	-	-	-	-	Chairman	1/1
Viveca Bergstedt Sten	Board member	10/10	Chairman	5/5	-	-	-	-
Robert Damberg	Board member	10/10	-	-	Board member	2/2	-	-
Anders Ehrling	Board member	10/10	Board member	5/5	-	-	-	-
Ulrika Eriksson	Board member	9/10	-	-	Chairman	2/2	-	-
Cecilia Halle	Board member	10/10	Board member	5/5	-	-	-	-
Barbro Holmberg	Board member	10/10	Board member	5/5	-	-	-	-
Frida Johansson Metso	Board member	10/10	-	-	-	-	Board member	3/3
Håkan Leifman	Board member	10/10	-	-	Board member	2/2	-	-
Maria Nilsson	Employee representative	10/10	-	-	-	-	-	-
Robert Adrell	Employee representative	10/10	-	-	-	-	-	-
Karin Larsson ²	Employee representative	10/10	-	-	-	-	-	-
Nils Undall-Behrend ²	Employee representative	10/10	-	-	-	-	-	-

¹ Kenneth Bengtsson retired at the Annual General Meeting on 23 April 2020 and was replaced by Göran Hägglund

² Deputy

risks and business opportunities. Systembolaget's Board is responsible for setting the goals for the company's sustainability work and for ensuring that these goals are integrated into the company's business strategy. See page 14 for more information on Systembolaget's sustainability work.

In the strategic plan, the Board establishes a strategic direction governing how Systembolaget will prioritise its investments, resources and activities over the strategic period. The strategic plan extends four years ahead and is revised every three years. The current strategic plan was adopted by the Board in May 2019 and applies for the years 2020-2023. See page 11 for further information about the strategic plan.

Ten Board meetings were held in 2020. The Board carried out ongoing follow-ups of financial developments in the company, as well as of social and environmental aspects of business operations. The follow-up of business operations took place, among other things, through the presentation of strategic key figures, follow-up of strategic goals for sustainability and the owner's mission goals, as well as other current issues. In March, the Board met with the company's auditors in the absence of senior management in accordance with the requirements of the Code. Together, this gave the Board the opportunity to continuously assess the results of business operations, including within the area of sustainable business operations.

In addition to ongoing follow-up of business operations, the Board worked with issues concerning the Responsibility Report, establishment plan, Alcohol Research Council, strategic plan 2023, home delivery and e-commerce, business plan and budget for 2021, ongoing legal proceedings, Systembolaget's safety work as well as leadership development, leadership supply and succession planning. The Board also dealt with various issues related to the ongoing coronavirus pandemic during the year.

Remuneration of Board and Committee members

The remuneration of Board members and members of the Board's special committees is determined by the Annual General Meeting. In accordance with the state's ownership policy, the remuneration must be competitive but not market leading.

Evaluation of the Board

According to the Code, the state's ownership policy and the rules of procedure for the Board, the Board must annually evaluate the Board's work through a systematic and structured process. The evaluation deals with the processes behind the Board's work and the Board's performance, including how the Board deals with relevant financial, environmental and social matters.

This year's board evaluation was carried out through a questionnaire answered by Board members and the work led by the Chairman of the Board. The questionnaire included questions about the work climate and cooperation, competence, the Board's work and the role of the Chairman. The results of the board evaluation were reported and discussed at a board meeting in November 2020. In summary, the evaluation showed

that the Board's work was functioning well.

In accordance with the state's ownership policy, in November 2020 the Chairman of the Board informed the Cabinet Office of the results of the evaluation. In addition, ongoing evaluations of the boards of state-owned companies are made during the Cabinet Office's work on the nomination process.

Board committees

The Board has established three committees and has drawn up rules of procedure for them. At the Board meeting following election to each committee, the Board appoints a number of Board members elected by the AGM, of which one is chairman. None of the members of the committees belong to senior company management. Information on the composition of the committees as well as the number of meetings and the attendance of members can be found on page 60.

The issues dealt with by the committees are recorded in minutes and the Chair of each committee reports to the Board on the committee's work at the next ordinary Board meeting.

Audit Committee

The Board has, firstly, delegated the task of dealing with certain issues, including decision-making power, to the Audit Committee, and secondly, has instructed the Committee to otherwise prepare and monitor issues concerning Systembolaget's financial reporting and the effectiveness of its internal controls, internal and external auditing and risk management. Issues delegated by the Board to the Audit Committee with decision-making power are to annually determine the direction of work for the internal audit, decide on sig-

nificant sustainability areas to report in the Responsibility Report plus Global Reporting Initiative (GRI) data and key figures linked to these sustainability areas, determine transparency reporting and evaluate and define Systembolaget's investment rules.

The Committee is also tasked with keeping itself informed about the audit of the annual report, as well as reviewing and monitoring the auditor's impartiality and independence. The Committee shall pay special attention to whether the auditor provides the company with services other than auditing services.

Remuneration Committee

The Remuneration Committee is tasked with preparing questions about remuneration and other terms of employment of senior management. Within the scope of the guidelines laid down by the Annual General Meeting, the Committee may independently negotiate with the CEO as regards remuneration and other terms of employment. However, decisions on remuneration and other terms of employment of the CEO are made by the Board.

The Remuneration Committee also has an independent right, together with the CEO, to recruit and negotiate remuneration and other terms of employment of senior management other than the CEO. Final decisions on employment contracts for senior management (with the exception of the CEO, for whom the Board makes decisions) are made by the Remuneration Committee.

Ethics and Sustainability Committee

The Ethics and Sustainability Committee is tasked with preparing and monitoring issues concerning the Systembolaget's sustainability work and work on com-

CEO



Magdalena Gerger

Magdalena Gerger took over as CEO of Systembolaget in May 2009. She was previously business area manager for Arla Foods and Head of Division at Nestlé Ltd in England. She is also a former Board member of IKEA.

Born: 1964

Other jobs: Board member of Investor AB, Humana AB and Svensk Handel. Chair of the Royal Swedish Academy of Engineering Sciences' (IVA) Business Council. Adviser on sustainability issues to the Group CEO of the Volkswagen Group through the Sustainability Council.

Main education: Economics, MBA Stockholm School of Economics as well as courses in leadership and management development.

Independence: Neither Magdalena Gerger nor her close relatives have significant shareholdings in or co-ownerships of companies with which Systembolaget has significant business relationships.

pliance and ethics. The Committee's main task is to act as a working committee, and it has no independent decision-making power. The Committee's tasks include preparing questions concerning Systembolaget's strategic goal of sustainable value creation, analysing how strategic sustainability issues affect the company's risks and business opportunities and following up on compliance work.

CEO AND OTHER SENIOR MANAGEMENT

Systembolaget's CEO is responsible for the day-to-day management of the company and directs operations in accordance with the Companies Act, other laws and regulations, state principles and the owner's instructions, the Code, the Articles of Association and the framework set out in the terms of reference issued by the Board to the CEO. The CEO, in consultation with the Chairman of the Board, produces information and documentation as a basis for the Board's work with the aim that the Board is able to make well-founded decisions, and also reports to the Board on the company's development.

According to the Code, the Board shall continuously evaluate the CEO's work and at least once a year, the Board shall specifically address this issue. An evaluation was carried out in the autumn under the direction of the Chairman of the Board. The evaluation consisted of: analysis of goal fulfilment, media analysis and a verbal evaluation that took place in November 2020 in the form of a discussion within the Board led by the Chairman with regard to the CEO's performance and development potentials. In summary, the evaluation showed that the CEO's work was going well.

Systembolaget's senior management consists of ten

people, of whom seven are women and three men. The senior management meet every two weeks and its work is led by the CEO, who in consultation with senior management makes decisions regarding day-to-day business operations.

Decisions reached by the CEO and senior management are based on the guidelines and instructions decided by the Board. Based on these decisions, the CEO and senior management prepare, among other things, documents for other managers within Systembolaget. These documents state the framework for day-to-day business operations and take the form of internal governing documents such as internal rules as well as process, operational, governance and information models. More information about senior management can be found on pages 67-68.

Guidelines for remuneration of senior management

Systembolaget follows both the guidelines for remuneration and other terms of employment for senior management that the company adopted at the annual general meeting as well as the Government's principles for remuneration and other terms of employment for senior management in state-owned companies. Systembolaget also follows the Code's principles for determining remuneration of senior management by ensuring decisions on such remuneration are made through formalised and transparent processes. See Note 6 in the financial reporting for complete information on guidelines and remuneration as well as Systembolaget's remuneration report.

EXTERNAL AUDIT

According to the Companies Act, an external auditor must review Systembolaget's annual report and ac-

counts as well as the Board's and the CEO's administration. The auditor works on behalf of, and reports to, the Annual General Meeting and must not be subject to control by company management or the Board.

At the Annual General Meeting, the auditor Deloitte AB, with chartered accountant Didrik Roos as the principal auditor, was appointed as auditor for Systembolaget for the period up to and including the Annual General Meeting in 2021. The Annual General Meeting also decided that Deloitte AB shall be paid in accordance with an approved invoice.

It was announced at the Annual General Meeting that the Government Board, in accordance with a decision on 25 March 2020, had appointed three lay auditors and three deputies for the period up until the Annual General Meeting in 2021. The lay auditors concerned are Jörgen Hellman, Johan Forssell and Ulrika Heindorff and their deputies are Gunnar Andrén, Ann-Charlotte Hammar Johansson and Alexandra Völker.

INTERNAL AUDIT

According to the Companies Act and the Code, the Board is responsible for ensuring that the company has good internal controls and formalized procedures for ensuring compliance with the principles set out for financial reporting and internal control. The responsibility also includes ensuring that the company's financial reporting is prepared in accordance with applicable law, applicable accounting standards and other external requirements. The most important elements in the company's system for internal control and risk management in connection with financial reporting are briefly described below.

Control environment

The basis for internal control consists of the control environment with organisation, decision-making paths, authorisations and responsibilities. The control environment is documented and communicated in governing documents such as policies, internal rules, work procedures and manuals, as well as through the value system on which the Board and senior management communicate and operate. Systembolaget has internal functions for risk control, security and compliance. Internal auditing is carried out by an external company.

The Board has appointed the Audit Committee to prepare questions regarding internal control, risk assessment, auditing and financial reporting. Examples of governing documents are rules of procedure for the Board, including its committees, instructions for the CEO and financial authorisations for employees in the company.

Risk assessment

Systembolaget carries out an annual company-wide risk assessment. The risk assessment consists of the following steps: identify, evaluate, prioritise, manage and follow-up risks. The risks are identified and evaluated by managers and key individuals in the business as well as by senior management. The risk assessment is prepared and decided by senior management and the Board's Audit Committee. The Board approves proposals for follow-up, and the highest-priority risks are then assigned to the business managers responsible for actioning, which is followed up by senior management and the Board's Audit Committee.

A financial risk assessment is carried out every two years. This involves each item on the balance sheet and income statement being assessed on the basis of

specific criteria: materiality, complexity in the valuation, occurrence of errors in the past and risk of fraud.

Assessment of the risk of errors in financial reporting is also performed on an ongoing basis during day-to-day operations via the control activities that are carried out. See page 54 for more information on Systembolaget's risk management.

Control activities

Systembolaget's control activities are designed to prevent, detect and correct errors in its financial reporting. For example, transactions with a large impact on the company's earnings and liquid transactions are monitored daily. Business Control, together with the business managers responsible, monitors how Systembolaget's business operations develop in relation to the business plan, budget and goals that have been set.

The Board receives follow-up regarding results and key figures on an ongoing basis throughout the year. Certain niche areas are also presented to the Board, such as indicators, key figures and projects. Dialogue takes place with the owner several times a year regarding how Systembolaget is fulfilling its mandate.

The prioritised company-wide risks form the basis for the internal audit plan. The internal audit is independent and is carried out by an external company. Systembolaget's external auditors review the annual report and conduct ongoing audits.

Information and communication

Systembolaget's internal communication process ensures that information is disseminated in a structured manner throughout the organisation. For example,

governing documents such as policies, internal rules, work procedures and manuals are available on the company's intranet. Work procedures are also provided through our employee training programme.

Systembolaget's external reporting, interim reports, year-end report and Responsibility Report are published on omsystembolaget.se.

Follow-up

Senior management and the Board take an ongoing part in the financial reporting by monitoring how the business develops in relation to the business plan, forecast and goals that have been set. The Board's Audit Committee also takes an ongoing part in the results of the external and internal audits carried out, as well as in risk management measures related to business operations. The Chairman of the Board's Audit Committee reports to the Board on significant areas of interest.

Board of Directors



Göran Hägglund,
Chairman of the Board

Born: 1959

Main education: Secondary education and business and industry training within insurance and financial services.

Other jobs: Chairman of Feelgood Svenska AB and Samtrafiken i Sverige AB. Board member of Ellevio AB and Frisq Holding AB (selection).

Elected: 2020

Previous positions: Chairman of the Swedish Pensions Agency 2016-2018. Party leader (Christian Democrats) 2004-2015. Minister of Health and Social Affairs 2006-2014. Member of Parliament 1991-2015.



Viveca Bergstedt Sten

Born: 1959

Main education: Bachelor of Laws, University of Stockholm and MBA, Stockholm School of Economics.

Other jobs: Author and lecturer. Board member of the Stora Sköndal Foundation and the Eknö Hemman Community Association. Chair of Vogue Scandinavia/Four North.

Elected: 2014

Previous positions: General Counsel and Corporate Secretary PostNord AB, Posten AB, General Counsel Lets-Buyit.com, General Counsel Amadeus Scandinavia. Board member of Svensk Kassaservice AB, Strålfors AB and Post Danmark. Member of the Confederation of Swedish Enterprise's Legal Reference Group.



Robert Damberg

Born: 1982

Main education: International Social Studies and Political Science at Linnæus University and Uppsala University.

Other jobs: Training manager F&S Linköping, Regional Council (MP) and Regional Board in Region Östergötland.

Elected: 2016

Previous positions: Councillor (MP) Uppsala County Council, spokesperson, union president of Ungdomens Nykterhetsförbund (UNF).



Anders Ehrling

Born: 1959

Main education: MBA, Stockholm School of Economics.

Other jobs: Chairman of Keolis Sverige AB. Board member of Coor Service Management Holding AB, Parks & Resorts Scandinavia AB and Dreamtroopers AB.

Elected: 2019

Previous positions: 23 years of service at SAS of which the last five years were spent as CEO SAS Sweden. Group CEO Scandic Hotels AB and BRA Sverige AB. Board of the Confederation of Swedish Enterprise, Trygg Hansa, Sweden, Åre Destination, Nordic Cinema Group, A-Katsastus OY, Unlimited Travel Group, West Atlantic Airways, Helsa Vårdutveckling AB.



Ulrika Eriksson

Born: 1969

Main education: MBA, Stockholm School of Economics, Institute of Management's Corporate Management Programme.

Other jobs: Business area manager/CEO Attendo Skandinavien.

Elected: 2019

Previous positions: CEO KungSängen Group AB, deputy CEO/Sales Director Apoteket AB, deputy CEO AB Svenska Pressbyrå, Board member of Bong AB and Pro Pac International AB/Bong Packaging Solutions.

Board of Directors



Cecilia Halle

Born: 1969

Main education: Management track with a focus on international organisations at Uppsala University.

Other jobs: Senior public official and group manager Unit for Public Health and Healthcare, Ministry of Health and Social Affairs. Chair of the National Expert Group for Improving Accessibility in Cancer Care. Swedish representative on the EU's high-level group on health.

Elected: 2017

Previous positions: Under-secretary, Health and Medical Care Unit, Ministry of Health and Social Affairs. Special advisor to the Unit for Global Cooperation, Ministry for Foreign Affairs.



Barbro Holmberg

Born: 1952

Main education: BA sociology, management track.

Other jobs: Chair of the Inquiry into Civil Defence. Member of the Swedish Parliament's Remuneration Committee, Orbaden Spa & Resort and Orsjö AB.

Elected: 2018

Previous positions: Chair of the Appropriations Committee, National Government Service Centre. Member Gävle University College, Swedish Bar Association Disciplinary Board. Governor Gävleborg County. Own consultancy with a focus on alcohol and drug issues.



Frida Johansson Metso

Born: 1984

Main education: Licensed psychologist at Uppsala University.

Other jobs: Psychologist at the Transcultural Centre, Region Stockholm.

Elected: 2016

Previous positions: Deputy Head of Operations Red Cross Centre for Tortured Refugees, Chair Liberal Youth of Sweden (LUF) 2007-2010.



Håkan Leifman

Born: 1963

Main education: PhD in Sociology at Stockholm University.

Other jobs: Regional director of Planet Youth (Nordic countries), self-employed as an expert and investigator into alcohol, tobacco and drug issues, doctor and researcher at the Karolinska Institute and the National Board of Institutional Care's transparency council.

Elected: 2014

Previous positions: Director Swedish Council for Information on Alcohol and Other Drugs, Board member of the Swedish Association for Alcohol and Drug Research and Svenska Spel's scientific counsel.

Board, employee representatives



Robert Adrell,
permanent

Born: 1964

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

Other jobs: Employed as salesman and beverage testing supervisor since 1987, member Association Board of Systembolaget's Staff association (SPF)/ Unionen, section Chairman SPF/Unionen West Region Salesperson.

Appointed: 2018



Maria Nilsson,
permanent

Born: 1965

Main education: Social science secondary education, various art training

Other jobs: Employee since 1988. Chair of SPF/ Unionen, regional chair of Unionen Stockholm.

Appointed: 2015



Karin Larsson,
deputy

Born: 1958

Main education: Secondary education in care.

Other jobs: Employed as salesperson since 1989. Member of the Association Board of SPF, member of Systembolaget AB's Pension Foundation and its Work Environment Committee as well as work environment representative for Systembolaget. Association auditor for Unionen.

Appointed: 2012



Nils Undall-Behrend,
deputy

Born: 1954

Main education: Science secondary school and mechanical engineer.

Other jobs: Employed since 1982, store manager since 1991. Member of SPF. Chairman of the Executive's Club Malmö.

Appointed: 2015

Senior Management



Magdalena Gerger,
CEO

Born: 1964

Employed: 2009

Education: Economics and MBA from Stockholm School of Economics.

Previous experience: Business area manager for Arla Foods and Head of Division at Nestlé Ltd in England.

Other jobs: Board member of Investor AB, Humana and Svensk Handel, Chair of the Royal Swedish Academy of Engineering Sciences' (IVA) Business Council. Adviser on sustainability issues to the Group CEO of the Volkswagen Group through the Sustainability Council.



Chatarina Eriksson,
HR Director

Born: 1970

Employed: 2009

Education: BA Economics, leadership training at senior management level.

Previous experience: Head of Department for Store Development at Systembolaget, hotel director at a number of hotels, business developer at the Invest in Dalarna Agency.



Tobias Frohm,
E-commerce Director

Born: 1965

Employed: 2011

Education: Personnel and working life track, Linköping University, internal and external leadership and management development programmes at senior management level.

Previous experience: HR Director at Systembolaget, HR Director at Lernia AB, HR Lead Sweden at Accenture and head of Consultus Leadership Partner AB.

Other jobs: Deputy Chairman of the Swedish Basketball Federation.



Charlotte Hansson,
CFO

Born: 1969

Employed: 2015

Education: Master's degree from the School of Business, Economics and Law at the University of Gothenburg.

Previous experience: Finance Director at Cision AB and the service company Addici AB, various positions within the Modern Times Group (MTG).

Other jobs: Board member Orexo AB.



Hans Jungland,
Sales Director

Born: 1965

Employed: 2003

Education: Internal training at senior management level.

Previous experience: Head of department for store development at Systembolaget, Head of department/category manager Coop and Sales Director at Stor & Liten.

Senior Management



Eva Listi,
IT Director

Born: 1962

Employed: 2016

Education: Chemistry, biology, law and economics at Stockholm University as well as internal and external training at senior management level.

Previous experience: Deputy CIO at PostNord AB, CIO at Ericsson and various senior IT positions within AstraZeneca, Pfizer and Pharmacia.



Gustav Lovén,
Strategy & Offer
Director

Born: 1981

Employed: 2017

Education: MBA, Stockholm School of Economics and study at Cornell University.

Previous experience: Director of Strategy at Systembolaget, various leadership roles within H&M both globally and in Asia, as well as strategic consultant at Ericsson and Bain & Company.



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

Born: 1964

Employed: 2007

Education: Qualified sommelier and internal and external leadership and management development programmes at senior management level.

Previous experience: Head of department Range and Procurement at Systembolaget, Business area manager at Arvid Nordquist HAB and Food & Beverage Manager at the SAS Radisson hotel chain.

Other jobs: Board member amfori.



Malin Sandquist,
Corporate, Public and
Legal Affairs Director

Born: 1972

Employed: 2012

Education: Bachelor of Laws Uppsala University and internal and external training at senior management level.

Previous experience: General Counsel at Systembolaget, has worked as a solicitor, most recently as a partner at the Hammar-skiöld & Co law firm.

Other jobs: Chair IQ-initiativet AB and Board member APL AB.



Kristina Stutterheim,
Communications
Director

Born: 1966

Employed: 2018

Education: Degree from the IHM Business School, leadership training at senior management level and qualified coach.

Previous experience: Communications Director National Theatre Company, Communications Director Swedish Teachers' Union, CEO and Marketing Director EnergyForum as well as other senior positions in companies in Sweden and the USA.

Ten-year overview

	2020	2019	2018	2017 ¹	2016	2015	2014	2013	2012	2011
Profit (Loss) (MSEK)										
Net sales (including alcohol tax)	36,737	32,211	30,907	29,355	28,469	27,645	26,431	25,709	25,099	24,416
Net sales (excluding alcohol tax)	22,605	19,740	18,692	17,511	17,034	16,379	15,901	15,589	15,003	14,368
Gross profit (loss)	4,676	4,119	3,903	3,700	3,591	3,488	3,382	3,303	3,201	3,115
Operating profit (loss)	542	229	227	270	217	179	370	168	270	159
Net financial income/expense	30	75	-2	58	47	-3	56	208	58	119
Profit (loss) before tax	597	304	232	353	368	256	324	317	248	278
Profit (loss) for the year	471	240	180	282	289	198	251	287	180	223
Financial position (MSEK)										
Fixed assets	3,224	3,306	3,665	3,439	2,797	2,300	2,520	2,258	1,921	1,697
Current assets	3,591	2,801	2,266	2,424	3,075	3,517	3,236	3,205	3,222	3,339
Equity	1,794	1,563	1,503	1,605	1,612	1,521	1,574	1,610	1,411	1,390
Liabilities	4,904	4,428	4,319	4,258	4,260	4,297	4,182	3,853	3,732	3,646
Balance sheet total	6,815	6,107	5,931	5,863	5,872	5,817	5,756	5,463	5,143	5,036
Cash flow (MSEK)										
Cash flow from operating activities	674	480	624	529	306	480	632	456	574	343
Cash flow from investing activities	24	112	-57	-918	-638	-117	-416	-530	-318	138
Cash flow from financing activities	-223	-164	-265	-246	-182	-251	-287	-90	-159	-332
Cash flow for the year	475	428	302	-635	-514	112	-71	-164	97	149
Strategic key figures and indicators¹										
Customer Satisfaction Index (CSI)	81.9	85.1	84.6	84.3	84	84	83	82	81	79
Age checks, %	95.3	95.1	95.6	95.6	96	96	97	96	95	94
Opinion Index (OPI), %	76.0	73.9	76.5	76.9	76	77	74	72	71	68
Total sick leave, %	5.9	4.5	4.5	4.8	5.2	5.3	4.9	-	-	-
Carbon dioxide emissions from beverage packaging, tonnes ²	182,500	169,200	-	-	-	-	-	-	-	-
Carbon dioxide emissions from distribution, tonnes ²	15,000	-	-	-	-	-	-	-	-	-
Return on equity, %	27.9	15.5	11.4	17.2	18	12	14	18	13	16
Equity/assets ratio, %	26.3	25.9	25.7	27.8	28	28	31	31	29	28
Cost-effectiveness	2.3	2.4	2.3	2.2	2.3	-	-	-	-	-
Alcohol Index	63.4	62.8 ⁵	62.8	63.1	63	67	65	67	-	-
Total consumption, litres of pure alcohol per inhabitant aged 15 and over ³	-	8.7	8.8	9.0	9.0	-	-	-	-	-
Systembolaget's share of consumption, % ³	-	67.2	65.6	63.1	63	-	-	-	-	-
Other key figures										
Gross margin, %	12.7	12.8	12.6	12.6	12.6	12.6	12.8	12.8	12.8	12.8
Operating margin, %	1.5	0.7	0.7	0.9	0.8	0.6	1.4	0.7	1.1	0.7
Stock turnover rate, times	24.6	23.1	22.4	21.8	22.7	22.9	23.5	23.9	24.7	24.5
Annual employees ⁴	3,884	3,613	3,496	3,359	3,258	3,159	3,101	3,038	2,994	3,113

¹ As of 2017, all key figures are reported to one decimal place.

² Reported as of 2020

³ Reported with a one-year time lag

⁴ Annual employees replaced the previous measure (average number of employees) as of 2018. The comparative figures are adjusted based on the new calculation.

⁵ The Alcohol Index has been adjusted for previous years, see page 21

Income statement

MSEK	Note	2020	2019
Net sales	2, 3	36,737	32,211
Cost of goods sold		-32,061	-28,092
Gross profit (loss)		4,676	4,119
Selling expenses	4, 5, 6	-3,296	-3,121
Administrative expenses	4, 5, 6	-843	-779
Other operating income	7	6	12
Other operating expenses		-1	-2
Operating profit (loss)		542	229
Profit (loss) from participations in group companies	8	17	16
Profit (loss) from other securities and receivables classified as fixed assets	8	13	60
Interest income	8	0	0
Interest expenses and similar profit (loss) items	8	0	-1
Profit (loss) after financial items		572	304
Appropriations	16	25	-
Profit (loss) before tax		597	304
Tax	9	-126	-64
Profit (loss) for the year	10	471	240

A statement of comprehensive income has not been prepared as there are no transactions reported under other comprehensive income

Balance sheet

ASSETS

MSEK	Note	31/12/2020	31/12/2019
Fixed assets			
Property, plant and equipment (PPE)			
Land and buildings	11	25	27
Equipment, fixtures and fittings	11	370	366
Constructions in progress	11	39	74
Total property, plant and equipment		434	467
Financial assets			
Participations in group companies	10	0	0
Deferred tax assets	9	32	26
Other securities held as non-current assets	12	2,755	2,808
Other long-term receivables	12	3	5
Total financial assets		2,790	2,839
Total fixed assets		3,224	3,306
Current assets			
Inventories etc.	13	1,406	1,040
Receivables			
Accounts receivable - trade		15	13
Current tax assets		0	15
Receivables from group companies		0	0
Other receivables		61	5
Prepaid expenses and accrued income, group company	10, 14	8	8
Prepaid expenses and accrued income	14	172	160
Total receivables		256	201
Short-term investments	12	-	106
Cash and cash equivalents	12	1,929	1,454
Total current assets		3,591	2,801
TOTAL ASSETS		6,815	6,107

EQUITY AND LIABILITIES

MSEK	Note	31/12/2020	31/12/2019
Equity			
Restricted equity			
Share capital (360,000 shares)		360	360
Statutory reserve		72	72
Total restricted equity		432	432
Non-restricted equity			
Accumulated profit/loss		891	891
Net profit/loss for the year		471	240
Total non-restricted equity		1,362	1,131
Total equity		1,794	1,563
Untaxed reserves			
Tax allocation reserve	16	-	25
Total untaxed reserves		-	25
Provisions			
Provisions	17, 18	117	92
Total provisions		117	92
Non-current liabilities			
Non-current liabilities to group companies	10	92	88
Other liabilities		30	24
Deferred tax liabilities	9	1	0
Total non-current liabilities		123	112
Current liabilities			
Accounts payable - trade		4,231	3,865
Current liabilities to group companies	10	8	1
Current tax liability		71	-
Other liabilities		224	240
Accrued expenses and deferred income	19	247	209
Total current liabilities		4,781	4,315
TOTAL EQUITY AND LIABILITIES		6,815	6,107

Change in equity

MSEK	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Accumulated profit/loss	Profit (loss) for the year	
Opening balance 01 January 2019	360	72	891	180	1,503
Transfer to non-restricted reserves			180	-180	-
Profit (loss) for the year				240	240
Dividend to the owner			-180		-180
Closing balance 31 December 2019	360	72	891	240	1,563
Opening balance 01 January 2020	360	72	891	240	1,563
Transfer to non-restricted reserves			240	-240	-
Profit (loss) for the year				471	471
Dividend to the owner			-240		-240
Closing balance 31 December 2020	360	72	891	471	1,794

Cash flow statement

MSEK	Note	2020	2019
Operating activities			
Profit (loss) before tax		597	304
Adjustments for non-cash items	22		
Depreciation and impairment		150	150
Capital loss/gain		19	11
Other		11	-23
Cash flow from changes in working capital			
Change in inventories		-367	36
Change in receivables		-39	-24
Change in liabilities		365	110
Change in financial receivables/liabilities at subsidiaries		11	17
Cash flow from operating activities after changes in working capital		747	581
Tax paid		-73	-101
Cash flow from operating activities		674	480
Investing activities			
Purchase of property, plant and equipment (PPE)		-117	-134
Purchase/sale of financial fixed assets		141	246
Cash flow from investing activities		24	112
Financing activities			
Dividend to the owner		-240	-180
Dividend received from AB K14 Näckströmsgatan		17	16
Cash flow from financing activities		-223	-164
Cash flow for the year		475	428
Cash and cash equivalents at the beginning of the year		1,454	1,026
Cash and cash equivalents at the end of the year	22	1,929	1,454

Note 1– Accounting principles

General

The parent company, Systembolaget AB, is a wholly state-owned company with its registered office in Stockholm and domiciled in Sweden. The Head Office address is Kungsträdgårdsgatan 14 and the postal address is SE-103 84 Stockholm, Sweden. Systembolaget holds the exclusive right to engage in retail sale of strong beer, wine and spirits in Sweden. Systembolaget conducts operations that are not protected from competition through two separate wholly-owned subsidiaries – IQ-initiativet AB and AB K14 Näckströmmsgatan.

The annual report for the 2020 financial year was approved for publication by the Board of Directors and the CEO on 18 March 2021 and will be submitted to the Annual General Meeting on 22 April 2021.

Basis for calculations

AMOUNTS AND FOREIGN CURRENCY

The functional currency, i.e. the currency in the primary economic environment in which the company conducts its business, is Swedish kronor (SEK). Swedish kronor is the reporting currency. Unless otherwise stated, the amounts in the financial statements are rounded to the nearest million Swedish kronor (MSEK), and the amounts in parentheses are the values for the comparison year. Foreign currency transactions are booked in the functional currency at the exchange rate prevailing on the date of transaction. Foreign currency monetary assets and liabilities are converted into the functional currency at the exchange rate prevailing on the balance sheet date. Exchange rate differences that arise during the conversion are reported in the income statement.

ANNUAL REPORT

The annual report has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2. RFR 2 means that Systembolaget is required to apply all standards and statements issued by IASB and IFRIC as approved by the European Commission for application within the EU. As far as possible, this is carried out within the scope of the Annual Accounts Act and with regard to the connection between accounting and taxation.

As of 01 January 2012, under Chapter 7, Section 3(a) of the Annual Accounts Act, Systembolaget does not prepare consolidated accounts. All subsidiaries are judged, both individually and together, to be of no material significance, and Systembolaget AB's annual report of legal entities provides a true and fair view of the company's position and results.

New and changed standards

No other new or changed IFRS standards or new interpretations or changes in RFR 2 that entered into force on 01 January 2020 have had any significant impact on Systembolaget's financial reports.

Upcoming standards

No upcoming standards, changes and interpretations, either in 2020 or later, are deemed to have affected or will affect the accounts.

Important estimates and assessments

Systembolaget makes estimates and assumptions about the future based both on the latest available and reliable information and on historical experience. Changed conditions may cause adjustments in the reported amounts of assets and liabilities in upcoming financial years. This follows from the fact that actual outcomes may differ from the sums reported.

When applying the company's accounting principles, senior management makes assessments that may have an impact on the sums reported in the income statement and balance sheet. The risks Systembolaget considers exist are described under Risk and Sensitivity Analysis; see page 54.

Revenue recognition

Under the Alcohol Act, Systembolaget has a monopoly on retail sale of alcoholic beverages in Sweden. The exclusive right has a social policy objective and entails restrictions on the availability of alcohol. Against this background, Systembolaget's retail sales are reported as its main business. Other business activities – which are not critical for Systembolaget's retail business and which could be run by other traders – are reported separately (according to the requirements in the Owners' Directive) and are considered non-operating. This classification has been judged to give the most accurate representation of Systembolaget's main business operation. Revenues from Systembolaget's retail sales include alcohol tax, which is a state excise

duty. Changes to the alcohol tax affect Systembolaget's revenues in parallel with the cost of goods sold, which is why changes to alcohol tax have no impact on gross profit.

Net sales are essentially generated by selling beverages directly to consumers via Systembolaget's stores. Sales of gift items and fees at beverage auctions are also included in net sales. The share of sales revenue that derives from other sales channels, i.e. agent sales and home orders, is insignificant. Systembolaget sells gift cards which are reported as income on redemption. Gift cards are valid for 5 years. Systembolaget also receives advance payments for home orders. However, the sums involved are trivial. See Note 3 for total contractual liabilities.

Revenue is mainly reported at a particular point, which is the time when the product is delivered to the customer. Sales are paid for in cash or by debit/credit card. Systembolaget offers a 14 day right of return. The proportion of returns is insignificant and has no significant impact on revenue.

Revenue is valued at the transaction price that Systembolaget expects to be entitled to in exchange for the transfer of goods (excl. VAT).

Interest income is reported as income over a relevant period using the effective interest method. The effective interest rate is the interest rate that exactly discounts estimated future cash flows during the financial instrument's expected term at the instrument's carrying amount.

State subsidies

Subsidies are reported at fair value when there is reasonable assurance that the subsidy will be received and that the company will meet the conditions associated with the subsidy. Subsidies intended to cover costs, in Systembolaget's case minor value wage subsidy costs, are reported net in the income statement under personnel costs.

Cost accounting

The income statement is presented in function-by-function form, which means that the costs are classified based on their function.

Cost for goods sold mainly refers to purchases of merchandise. Selling expenses include costs for store operations, mostly comprising personnel and premises costs. Administrative expenses include costs for central administrative staff functions at head office.

Operating segment

Systembolaget's assessment is that there is only one reportable operating segment as the business is conducted within one business segment and one geographic market.

Leasing

The company has signed lease agreements that essentially relate to rent for premises. Leasing costs are written off on a linear basis over the leasing period

unless another systematic method better reflects the user's financial benefit over time. The term of the lease is the period Systembolaget has agreed to lease an asset for.

Income tax

Reported tax consists of the total amount of current and deferred tax determined on the basis of the profit for the period. Current tax is the tax to be paid or received during the current period including adjustments to current tax for previous periods. Current tax is the tax calculated on the taxable profit for a period including adjustments to current tax for previous periods. Current tax is calculated and valued on the basis of the tax rules and tax rates prevailing on the balance sheet date, which as of 31/12/2020 was 21.4% (21.4%).

Deferred tax is calculated on the basis of the balance sheet method, whereby temporary differences, i.e. differences between the reported and taxable values of assets and liabilities, give rise to deferred tax liabilities or tax receivables. Deferred tax liabilities are calculated on all taxable temporary differences, while deferred tax receivables are reported to the extent that it is probable that future taxable surpluses will exist, against which the temporary differences can be utilised. Deferred tax is calculated and valued by applying the tax rules and tax rates that have been decided or announced as per the balance sheet date and that are expected to apply when the tax receivable in question is realised or the tax liability is settled. The tax rate for tax receivables that are estimated to be realised from 2021 onwards amounts to 20.6%. Untaxed reserves are reported including deferred tax liabilities.

Current tax and deferred tax are reported in the income statement.

Information about related parties

Related parties are defined as Systembolaget group companies, pension foundations, state-owned companies in which the state has the controlling influence as well as senior management, board members and close family members of these persons. Systembolaget applies IAS 24, Information about related parties, which means that information about state-owned companies in which the state has the controlling influence does not need to be provided, except when the value of transactions is significant.

Disclosure is made when transactions with a related party have taken place, regardless of whether compensation is paid or not. Transactions refers to the transfer of resources, services or obligations. Transactions with related parties take place on market terms

Property, plant and equipment (PPE)

Property, plant and equipment is reported as an asset on the balance sheet when the acquisition cost can be calculated reliably and when it is probable that the future economic benefits associated with the asset will accrue to Systembolaget.

Property, plant and equipment is valued according to the acquisition cost method at acquisition cost less accumulated depreciation and any accumulated impairments. Expenses for improving an asset's performance over and above the original level increase the asset's carrying amount. Expenses for repairs and maintenance are written off on an ongoing basis.

Intangible assets

Development expenses relating, for example, to business systems, are written off when they arise.

Depreciations

Property, plant and equipment and intangible assets are written off on a linear basis over the asset's estimated useful life (i.e. the period in which Systembolaget expects to utilise the asset for its purposes). Depreciation is based on acquisition cost after deduction of any residual value. Depreciation is based on the following periods of useful life:

Assets	Useful life
Buildings	33 years
Land	0 years
Machinery and equipment	3-5 years
Improvement expenses in a third party's property (remodelling in store)	7 years

As of each balance sheet date, the residual value and useful life of each asset is reappraised, and any necessary adjustments made.

Impairments

As of each balance sheet date, an assessment is made as to whether there is any indication of a need for impairment of reported values. If such indications exist, the asset's recoverable amount is calculated, which is the higher of the fair value less selling expenses and the asset's value in use (i.e. the present value of the estimated future cash flows that the asset is expected to generate). Impairment is made when the carrying amount of an assets exceeds its recoverable amount; it is then immediately written off in the income statement.

As of each balance sheet date, a determination is also made as to whether there is an indication that a previous impairment is no longer justified, either in whole or in part, and in such cases the asset's recoverable amount is calculated and a reversal made. The reversal increases the asset's carrying amount. The carrying amount cannot exceed the value that would have been reported, after depreciation, if an impairment had never been made.

Employee remuneration

Remuneration in the form of salary and pension is reported as an operating expense during the period when the employee performs the services to which the remuneration relates. The expense is classified as a selling expense or administration expense depending on the employee's job.

PENSIONS

The company has both defined benefit and defined

contribution pension plans, mainly within the collectively agreed ITP pension plan but also through pension plans under its own management. The defined contribution pension plans are financed through payments of premiums to insurance companies or administration companies. The defined benefit pension plans are secured primarily via Systembolaget AB's Pension Foundation but also through provisions on the balance sheet. The provisions reported on the parent company's balance sheet mainly relate to unvested pension commitments, i.e. they are conditional on employment. They are not covered by the Act on Securing Pension Commitments etc. and thus cannot be secured in pension foundations, and Systembolaget has chosen not to report them on the balance sheet under the heading set aside for pensions. Instead they are reported under the item "Long-term provisions".

A defined benefit pension plan is a pension plan that specifies an amount for the pension benefit an employee receives after retirement based on age, length of service and pensionable salary. Systembolaget has a duty to provide agreed payments to employees who are or have been employees of the company. In essence, Systembolaget bears the actuarial and investment risk. The calculation of the pension commitment is based on the salary and pension level that prevails on the balance sheet date.

The defined benefit pension liability comprises the capital value of earned pension rights, remaining funds for conservation of capital and a consolidation buffer. The valuation bases used to calculate the pension liability relating to defined benefit ITP are PRI's assumptions about discount rate, operating costs and life expectancy. For other defined benefit pension li-

abilities, the assured bases (i.e. the Swedish Financial Supervisory Authority's instructions for calculating pension liabilities FFFS 2007: 24 according to the 2020 bases) are used as valuation bases.

The company also has defined contribution pension plans, primarily within the ITP plan. In defined contribution pension plans, the company's obligation is limited to the amount the company has agreed to contribute, which means that the employee bears the actuarial and investment risk. The contributions to defined contribution pension plans are reported as an expense during the period the employee is employed by the company.

TERMINATION COSTS

Termination costs are reported when Systembolaget is obliged to either (i) prematurely terminate an employment according to a detailed formal plan without realistic possibility of this decision being revoked, or (ii) provide a compensation package in connection with encouraging voluntary redundancy.

Financial instruments

Financial instruments comprise any form of agreement that gives rise to a financial asset in one company or a financial liability or an equity instrument in another company. These include cash and cash equivalents, trade receivables, accounts payable (trade) and financial investments. Systembolaget's risk management policy is described in Note 12.

REPORTING AND ELIMINATION FROM THE BALANCE SHEET

A financial asset or liability is recognised on the balance sheet when the company becomes a party to the contractual terms and conditions of the instrument. A claim is reported when the company has performed some form of service and there is a contractual obligation for the counterparty to pay, even if an invoice has not yet been issued. Trade receivables are reported on the balance sheet when an invoice has been issued. Liabilities are reported when the counterparty has performed some form of service and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable (trade) are reported when an invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realised, when risks and benefits transfer to another party, when the right to cash flows expires or the company loses control of the asset. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial liability. Acquisitions and disposals of financial assets are reported on the trade date. The trade date is the date when the company undertakes to acquire or dispose of the asset.

CLASSIFICATION AND VALUATION

Financial assets are classified on the basis of the business model in which the asset is managed and its cash flow character.

If the financial asset is held within the framework of a business model the aim of which is to collect contrac-

tual cash flows and the contractual terms and conditions for the financial asset at set times give rise to cash flows that are only payments of the principal and interest on the outstanding principal amount, the asset is reported at amortised cost. This business model is categorized as “hold to collect”.

If the financial asset is held in a business model the aims of which can be achieved both by collecting contractual cash flows and selling financial assets and the contractual terms and conditions for the financial asset at set times give rise to cash flows that are only payments of the principal and interest on the outstanding principal amount, the asset is reported at fair value via other comprehensive income. This business model is categorized as “hold to collect and sell”.

All other business models where the aim is speculation, holding for trading or where the cash flow character excludes other business models, entail accounting at fair value via the income statement. This business model is categorized as “other”.

Systembolaget applies the “hold to collect” business model for loan receivables, trade receivables and other current receivables, which means that the assets are reported at amortised cost. Loan receivables and trade receivables are financial assets that have fixed or ascertainable payments and which are not listed on an active market.

With regard to other securities held as non-current assets, investments in securities and cash and cash equivalents, Systembolaget applies the “other” business model, which means valuation at fair value via the income statement. Cash and cash equivalents consist

of cash and cash equivalents as well as short-term liquid investments with a maximum maturity of 90 days, which can be easily converted into a known amount and which are exposed to only an insignificant risk of fluctuations in value.

Accounts payable (trade) are mainly in Swedish kronor and are valued at amortised cost. However, the expected maturity of accounts payable (trade) is short, which is why the liability is reported at nominal amount without discounting. The overdraft facility is valued at amortised cost according to the effective interest method. Other financial liabilities are classified at amortised cost.

FAIR VALUE

The fair value of financial assets and liabilities traded on an active market is determined with reference to the quoted market price. The fair value of other financial assets and liabilities is determined according to generally accepted valuation models such as discounting of future cash flows and the use of information obtained from current market transactions.

The carrying amount of all financial assets and liabilities is considered to be a good approximation of its fair value, unless specifically stated otherwise.

AMORTISED COST AND THE EFFECTIVE INTEREST RATE METHOD

The amortised cost of a financial asset is the amount the financial asset is valued at on the first reporting date minus the principal, plus the accumulated depreciation using the effective interest method of any difference between the principal and the outstanding principal, adjusted for any impairments. The reported

gross value of a financial asset is its amortised cost before adjustments for a possible loss reserve. Financial liabilities are reported at amortised cost using the effective interest method or at fair value via the income statement.

The effective interest rate is the interest rate that, when discounting all future expected cash flows over the expected maturity, results in the initial carrying amount of the financial asset or liability.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are set off and reported with a net amount in the balance sheet when a legal right to set off exists and when there is an intention to settle the items with a net amount or to simultaneously realise the asset and settle the debt.

Inventories

The inventory has been valued at the lower of the acquisition cost and net realisable value. The acquisition cost is calculated using the first in, first out method (FIFO) and net realisable value is the estimated sales price after deduction of attributable sales costs. The inventory consists of merchandise.

The carrying amount of goods in stock that is sold is written off during the period in which the corresponding income is reported. Adjustments of goods in stock to net realisable value and losses on goods in stock are reported in the income statement in the period in which the adjustment or loss occurs.

Provisions

A provision is defined as a liability that is uncertain in terms of due date or amount. Provisions are reported on the balance sheet when the company has an existing legal or informal obligation as a result of an event that has occurred and when it is probable that resources will be spent settling the obligation and the amount can be estimated reliably. Provisions are valued at the amount that is the best estimate of the amount that would be required on the balance sheet date to settle the existing obligation. If the time when payment takes place exerts a significant effect, expected future cash flows are calculated at present value. As of each balance sheet date, provisions are reassessed and, if necessary, adjusted to reflect the current best estimate.

Contingent liabilities

A contingent liability is reported when there is a possible liability arising from events that have occurred and whose occurrence will only be confirmed by one or more uncertain future events, when there is an existing liability that is not reported as a liability or provision because it is unlikely that resources will be spent settling the obligation, or when the size of the obligation cannot be calculated with sufficient precision.

Cash flow statement

The cash flow statement shows the cash receipts and cash paid attributable to operating activities, investing activities and financing activities that have taken place during the period.

The cash flow statement was prepared according to the indirect method, which means that the result is adjusted for:

- transactions that have not resulted in cash receipts or cash paid,
- accrued or prepaid items relating to past or future periods, and
- any income and expenses where the effects on cash flow are attributable to investing or financing activities.

Proposed profit distribution and signatures

The Board of Directors proposes that available profit, SEK 1,362,062,476, is distributed as follows:

Dividend (SEK 1,309.0 per share)	471,249,791
Carried forward	890,812,685
Total	1,362,062,476

The dividend is proposed to be paid no later than 06 May 2021.

The Board considers that the proposed dividend distribution is justifiable with regard to the requirements imposed by Chapter 17 Section 3, second and third paragraphs, of the Companies Act, and with regard to the requirements that the nature, scope and risks of the business place on the size of the company's equity. The dividend distribution is also considered justifiable based on Systembolaget's need to strengthen its balance sheet, liquidity and position, as well as in accordance with the owner's requirements and expectations.

The Board of Directors and the CEO hereby declare that the annual report has been prepared in accordance with good accounting practice and that it gives a true and fair view of the state of affairs of the company and its profit or loss for that period. Furthermore, it is also declared that the accounts have been prepared on the basis of the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities and that it provides a true and fair view of the state of affairs of the company and its profit or loss for that period. It is also declared that the Directors' report provides a true and fair overview of the development of the company's business operations, position and profit or loss as well as describing significant risks and uncertainties that the company faces.

Stockholm 18 March 2021

Göran Hägglund
Chairman

Robert Damberg
Board member

Anders Ehrling
Board member

Viveca Bergstedt Sten
Board member

Ulrika Eriksson
Board member

Cecilia Halle
Board member

Barbro Holmberg
Board member

Frida Johansson Metso
Board member

Håkan Leifman
Board member

Robert Adrell
Employee representative

Maria Nilsson
Employee representative

Magdalena Gerger
CEO

Our audit report was submitted on 18 March 2021
Deloitte AB

Didrik Roos

Sustainability notes

About our Responsibility Report

The Responsibility Report integrates the annual accounts and Corporate Governance report with our sustainability report. We continue to enlist the support of the rules for Integrated Reporting (IR) from the International Integrated Reporting Council (IIRC) regarding the reporting of the business' value creation model.

The sustainability report for 2020 has been prepared in accordance with the Global Reporting Initiative's GRI Standards Core option. The latest report was published on 26 March 2020. In common with last year, Systembolaget's external auditors carried out a combined review involving a general review of the accounts in combination with an audit of the key figures of share of sick leave, performance culture, gender ratio and share with a foreign background for this year's sustainability report. See the auditor's report on the combined review of the sustainability report on page 97.

The financial report for 2020 only covers Systembolaget AB, while the sustainability report for the 2020 financial year covers Systembolaget AB and the business operations of its wholly owned subsidiary IQ-initiativet AB which are significant from a sustainability perspective. Sustainability data that fall outside IQ-initiativet's information assignment are not reported, and nor is Systembolaget's other subsidiary, as they are not of material importance in relation to Systembolaget as a whole. Where GRI's guidelines call for reporting by region, this region corresponds to the whole of Sweden.

The structure of this year's sustainability report is set out in the materiality analysis (see page 14). At least one key figure or GRI disclosure is reported for each

material sustainability topic. The materiality analysis shows that the most material sustainability topics are the same as last year, with the clarification that the sustainability topic that includes recycling and reuse has been broadened to report on work towards more circular solutions. Some company-specific key figures and one GRI disclosure have been omitted in connection with the transition to a new strategic plan. Hence, key figures regarding a supplier's sustainability status, the climate impact of own business operations, staff turnover as well as GRI disclosure 404-3 on performance reviews have been omitted from the GRI Index. Key figures regarding the Customer Satisfaction Index and financial key figures are reported in the Responsibility Report without being linked to a significant sustainability area and are therefore not included in the GRI Index. As earlier, a number of strategic indicators such as the Alcohol Index and average alcohol consumption are addressed within our integrated reporting but outside the GRI Index.

Where necessary, measurement and calculation methods are described in connection with the respective disclosure. The compilation and quality assurance of the sustainability report's company-specific key figures and GRI disclosures is made by Systembolaget's Sustainability Controller. Targets and figures for comparison are reported where applicable. Since 2015, all follow-up data of our carbon dioxide emissions have been calculated on the basis of the Greenhouse Gas Protocol (GHG). In cases where comparative figures from previous annual reports have changed, this is reported under the disclosure in question.

Systembolaget's annual internal audit reviews several areas within the business, including anti-corruption

work, based on a risk analysis that assesses relevance based on weighted risk value. This is described in more detail in the Corporate Governance report; see page 57.

Contact person at Systembolaget:
Press officer Anders Porelius
Telephone (switchboard): 08-503 300 00

Stakeholder dialogue

To live up to the expectations on our business in line with our social mandate and ambitions within sustainability, we engage in ongoing dialogue with our stakeholders. This could refer to our owners, customers, employees, suppliers, producers, stakeholder organisations or society at large. We use stakeholder surveys to continuously review which sub-groups are the most important. This allows us to create relevant networks and platforms for our stakeholder dialogues. We carry out surveys at least once a year. We also hold roundtable discussions and carry out investigations based on need and specific subject areas. The results from surveys and dialogues are used, among other things, in Systembolaget's strategic work. The dialogues held during 2020 are listed below along with a brief description of their output.

Stakeholder group	Important key questions	SIGNIFICANT DIALOGUES 2020
Society	Systembolaget and society	<p>Systembolaget meets politicians and those engaged in party politics on a regular basis for dialogue about Systembolaget's business operations and social mandate.</p> <p>In 2020, we have held dialogues about the societal costs of alcohol, alcohol, violence and insecurity, alcohol and societal crises, as well as about our Local and Small-scale Range and how it was affected at the beginning of the pandemic and how we will develop it in the future.</p>
	Opinion survey	Every month, a nationally representative sample of the general population is asked about their views on our exclusive right. Approximately 9,000 interviews are conducted every year.
	Information about the harmful effects of alcohol	The Alcohol Report is produced to provide an overall picture of alcohol in Sweden, with the idea being that the report can be used as a knowledge base for decision-making. The theme of this year's report was alcohol, violence and insecurity.

Stakeholder group	Important key questions	SIGNIFICANT DIALOGUES 2020
Society	Information about the harmful effects of alcohol	<p>Systembolaget holds regular meetings with researchers and community representatives within the framework of the Development Group for Alcohol Research Issues (UG). The group plays an advisory role in identifying knowledge gaps when it comes to contract research and our dissemination of results. Parts of UG also constitute the Prize Committee for the Knowledge Prize and the Junior Scholarship.</p> <p>Systembolaget has two partnerships in the research area, namely with the Swedish Association for Alcohol and Drug Research (SAD) and the Nordic Welfare Centre (NVC). Both SAD and NVC nominate members to Systembolaget's Alcohol Research Council.</p> <p>Systembolaget's Alcohol Research Council meets twice a year, ahead of the upcoming announcement and for decisions on allocating grants.</p>
	Attitudes to alcohol	IQ's Alcohol Index is based on an attitude survey with emphasis on binge drinking in various situations. Its main purpose is to track how views of alcohol in Sweden change over time. During the year, a number of dialogues were held based on IQ's focus areas including: the Alcohol Profile self-assessment tool, alcohol and mental illness, alcohol and working life and alcohol, sex and relationships among young adults. An annually recurring theme is teens and alcohol – to which IQ contributes with, among other things, working materials and dialogue based on the Teenage Phrasebook. Through its efforts, IQ aims to create dialogue between individuals, as well as operators at local, regional and national level.
	Diversity and inclusion	During 2020, we have developed our collaboration with the City of Stockholm by being part of the Integration Deal and being a partner for jobs. Dialogues regarding how we can continue and expand our activities and collaborations, for example through more job pathways, take place via our collaboration with the Swedish Public Employment Service.

Stakeholder group	Important key questions	SIGNIFICANT DIALOGUES 2020
Society	Supervisory authorities	We engage in regular dialogue with supervisory authorities in areas of relevance to our business operations. These authorities include the Public Health Agency of Sweden, the Alcoholic Beverages Product Range Board, the Swedish Consumer Agency, the Swedish Competition Authority, the Swedish Food Agency, the Swedish Tax Agency, the Swedish Customs Authority as well as the Swedish Economic Crime Authority, the Swedish Police Authority, the Swedish National Board of Health and Welfare and the Swedish Agency for Health Technology Assessment and Assessment of Social Services (SBU). In 2020, we discussed issues such as distance selling, labelling of alcoholic beverages, alcohol and insecurity, smuggling, importation, fake accounts and the importance of preventive work.
	Collaboration with higher education establishments	We are engaged in ongoing collaborations with various higher education establishments in order to exchange knowledge and information and as part of our work to be an attractive employer.
	Collaboration with international institutions	During 2020, we contributed to meetings of the International Organisation of Vine and Wine as a national expert. Issues under discussion were the environment, public health and consumer legislation concerning alcohol labelling.
Customers	Good service	A Customer Satisfaction survey is carried out three times a year to help us develop and improve our offering and the almost 125 million in-store customer encounters we have each year. This is to ensure we live up to our customers' expectations of good service and a dependable response.
	The customer encounter	We continuously carry out quantitative studies where we monitor our customers' experience of their encounter with us in whatever medium they choose – on our digital interfaces (website, app), in our digital store, via customer services, via our agents, when receiving home delivery and at our beverage auctions. We do this to obtain an in-depth picture of their experience, detect gaps between their expectations and our perceived performance and to be able to identify new areas for development.
	Developing with the customer	We constantly test new solutions in physical and/or digital environments – where we can quickly gauge customers' reactions. These tests form the basis for ongoing development work.

Stakeholder group	Important key questions	SIGNIFICANT DIALOGUES 2020
Customers	Sustainability work	Every year, we conduct a web-based sustainability dialogue with the general public in which we examine how different parts of our sustainability work are assessed based on knowledge, performance and how important they think it is. The result forms the basis for both our materiality analysis and our work on strategy and communication.
Owner	Social mandate	Owner dialogue and Annual General Meeting. We engage in continuous dialogue with our owner to ensure we meet its expectations and requirements. Areas that have been discussed during the year include the work of the Board, operational follow-up, the Annual General Meeting and follow-up of key figures, mandate goals, financial targets and the strategic goals for a sustainable business enterprise.
Employees	Skills and development	Continuous performance reviews, called "Focus". This is the managers' and employees' most important tool for setting goals together, talking about expectations and developing both employees and the business.
	Performance conditions	Work on good leadership and Agerus' employee questionnaires. Systembolaget carries out an annual Agerus dialogue within working groups every autumn. This also includes issues related to the Anti-Discrimination Act and the Work Environment Act. If a finding of relevance is made (only yes/no to maintain anonymity), the manager must provide information about Systembolaget's rules and procedures and how to proceed if, as an employee, you feel vulnerable.
	Ethics and sustainability	Ethical dialogues with the aim of keeping ethical issues alive and creating dialogue around ethical dilemmas throughout the business. We engage in ongoing dialogue about our Code of Conduct; this includes mandatory e-training. During the year, we also conducted a web-based sustainability dialogue with our managers and employees where they have been able to assess different parts of our sustainability work based on knowledge, performance and how important they think it is.

Stakeholder group	Important key questions	SIGNIFICANT DIALOGUES 2020
Employees	Work environment issues	Work Environment committee and collaboration agreements. Systembolaget has a Work Environment committee that meets four times a year. It provides a forum through which employer and staff representatives (from various unions) can meet and raise strategic work environment issues. Both parties are responsible for raising important issues. Systembolaget is careful to keep unions informed about ongoing developments in the work environment area while their contribution is important for the end result. It is also important that the union informs and signals if something is not working so that the company can act.
Suppliers	Environment and climate	Together with the Swedish Wines & Spirits Suppliers Association and the Swedish Brewers Association, Systembolaget has implemented a second climate report within the Swedish Beverage Industry's Climate Initiative for its suppliers. The Climate Initiative has also produced an impact assessment containing around thirty proposals for measures to reduce the climate footprint.
	Ongoing collaboration including terms of employment and health	Since the development and launch of the sustainability platform, Systembolaget has involved suppliers in its development and implementation by assembling so-called reference groups. These groups have had different purposes such as development and implementation of the sustainability platform and implementation and gathering information about beer, spirit and wine items respectively.
	Collaboration	Supplier meetings for collaboration on various topics such as sustainable procurement of rum and sugar cane cultivation and living wages together with Fairtrade Sweden.
Producers	Sustainability work including terms of employment and health	Dialogue, external monitoring and information gathering on the impact of the pandemic on production and cultivation in our supply chain.
Stakeholder organisations	Ongoing collaboration in social and environmental sustainability	Collaboration and continuous dialogue with other Nordic monopolies within the Nordic Alcohol Retail Monopolies (NAM) organisation. In 2020, among other things, we decided to focus training initiatives on those activities that had already begun, and - due to the pandemic - not to bring any more initiatives forward.

Stakeholder group	Important key questions	SIGNIFICANT DIALOGUES 2020
Stakeholder organisations	Terms of employment and health within the supply chain	Ongoing collaboration with IUF (the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations) with the aim of collaborating with trade unions to improve working conditions in the alcoholic beverage industry.
	Sustainable supply chain	Together with the other Nordic monopolies, we engage in regular dialogue and meetings on specific sustainability challenges and activities of relevance to our industry. Sara Norell Murberger, Systembolaget's Director of Range, Procurement and Supply Chain Management, sits on amfori's Board and Hanna Sutherlin (Sustainability Officer) was elected to amfori's Member Advisory Council (MAC) in 2020. Systembolaget also has representatives in the following working groups: Sustainable Wine Programme, System group, Food group and Transparency group. Continued involvement in Stronger Together, an initiative working to prevent modern slavery in company supply chains. Ongoing involvement in the Ethical Trading Initiative (ETI) Sweden. Systembolaget is one of the founding members of the network, which we believe has great potential to address common sustainability challenges in the supply chain together with other stakeholders. Hanna Sutherlin (Sustainability Officer) sits on the Board.
	Collaborative partnerships with a focus on children and indirect harm	In 2020, the focus of the "Barndom utan Baksmälla" initiative has been to communicate the "Decisive moments" guide. This guide was developed within the framework of collaborations for 2019 and gives advice to adults on how to act if a child is suspected of being harmed by an adult's alcohol consumption. The advice has been communicated by all partners in the initiative, Maskrosbarn, Bris, Childhood, Trygga Barnen, IQ and Systembolaget. The advice has been well received by private individuals, non-profit organisations and public authorities alike. The initiative has also worked to get stories from the general public linked to the actions of adults and the resulting benefits in order to develop future communication and advice.

Carbon dioxide emissions reported according to the GHG protocol

In 2015, Systembolaget began to more clearly monitor its emissions based on the Greenhouse Gas Protocol. Since then we have included relevant GRI disclosures, referred to as 305-1 and 305-2 in the GRI Standards, in our sustainability report in order to report our climate impact. GRI disclosure 305-1 applies to the area known as Scope 1 in the GHG protocol. GRI disclosure 305-2 applies to the area known as Scope 2. Scope 1 presents estimated direct carbon dioxide emissions from business operations, for example emissions from the vehicles the company leases. Scope 2 applies (in Systembolaget's case) to estimated indirect carbon dioxide emissions from energy use during business operations.

The GHG protocol also includes a Scope 3 that covers other indirect emissions. Two strategic key figures within Scope 3 have been included in this year's sustainability report: carbon dioxide emissions from beverage packaging and distribution, respectively. We are therefore reporting parts of Scope 3 for the first time. As the key figure measuring climate impact from distribution is new for 2020, no comparative figures for that part of Scope 3 are available from previous years. We discuss our ambitions and governance in the area in the section on our material sustainability topic as regards reducing climate impact throughout the value chain (see page 27).

When applying the GHG protocol, we use the so-called "operational control" calculation procedure. The calculations use the global warming potential (GWP) of the Kyoto gases based on the Intergovernmental Panel on Climate Change's or IPCC's Fourth Assessment Report (2007).

Calculation of carbon dioxide emissions based on the GHG protocol		2020	2019	2018
Scope 1	Emissions from leased vehicles	161	304	322
	Heating of training centres (geothermal heat)	0	0	0
Scope 2	Energy use in own business operations (electricity and heating) ¹	3,678	3,355	4,173
	Emissions from packaging	182,543	169,219	168,584
Scope 3	Emissions from distribution	15,023	-	-
	Emissions from business travel	521	1,276	1,364
	Emissions from premises	1,058	1,029	757
Total, tonnes CO₂e		202,985	175,183	175,201

¹ If our energy use for 2020 was calculated using the "location based" method in the GHG protocol's Corporate Standard (based on IEA, 2017), carbon dioxide emissions from energy use would instead equal 3,448 tonnes of carbon dioxide equivalents.

GRI Boundary table

For the 2020 financial year, Systembolaget has identified ten company-specific key figures and seven GRI disclosures for monitoring our material sustainability topics. Boundaries and results for these are shown in the table below.

COMPANY-SPECIFIC KEY FIGURES AND GRI DISCLOSURES IN OUR SUSTAINABILITY REPORT

Material sustainability topic	Boundary - where in the value chain the area is significant - and a brief description of its impact	GRI disclosure	Company-specific key figure *=Strategic key figure	Result 2020	Target 2020
Limiting the harmful effects of alcohol	Every local community (right across Sweden) is directly and/or indirectly affected by how well Systembolaget succeeds in its aim of limiting the harmful effects of alcohol in society. At the same time, we are aware that we are only one of a number of factors affecting the results.	413-1 (Our impact on society)	Opinion Index (OPI)* (The proportion of the population who want Systembolaget to retain its exclusive right to sell spirits, wine and strong beer)	76.0	≥76.5
			Age checks (%)*	95.3	96.0
Combating bribery and corruption	The area is significant both within the organisation and in the supply chain. We have an impact by reducing the risk of corruption via monitoring compliance with our Code of Conduct.	205-3 (Confirmed incidents of corruption where action has been taken)		3	-
Reducing climate impact throughout the value chain	The direct climate impact of our business operations is where we have the greatest opportunity to exert an influence, and it has an important signalling value even if its extent is insignificant. The climate impact from our supply chain has a major impact on sustainable development, and we primarily influence it through collaboration.	305-1 (direct sources)		161	Reduction
		305-2 (indirect sources from energy)		3,678	
		305-3 3 (other indirect sources)	Carbon dioxide emissions from distribution*	15,000	Reduction
			Carbon dioxide emissions from beverage packaging, tonnes*	182,500	165,800

Material sustainability topic	Boundary - where in the value chain the area is significant - and a brief description of its impact	GRI disclosure	Company-specific key figure *=Strategic key figure	Result 2020	Target 2020
Working towards circular business solutions	Significant because the transition to a circular economy is necessary for a more sustainable development where resources are used efficiently in non-toxic circular flows. We have an impact by integrating the circular perspective into our business operations.		Changing the number of single-use plastic carrier bags sold	-40.2%	-50.0%
Reflecting the diversity in society	We look at diversity based on the fact that we are there for everyone in Sweden. The area is also significant based on our skills provision, where we have a direct impact through our recruitment processes.	405-1 (Diversity and inclusion)	The proportion of employees with a foreign background*	13.3	14.3
Ensuring a good working environment/performance environment for employees	Systembolaget's entire business operation, where we have a direct impact on our employees through initiatives that create the conditions they need.		Performance culture*	83.3	82.5
			Sick leave (%)*	5.9	4.5
Promoting human rights and good working conditions in and around our supply chain	Significant both at producer and cultivation level and also for evaluating whether suppliers are taking responsibility for the issues involved. We have an impact through collaboration and training as well as through requirements for compliance with our Code of Conduct.	412-2 (Social responsibility in the supply chain)	The proportion of partners in Set Range fulfilling more than 75% of their requests and thereby being included in risk analysis (reported with a one-year time lag)	59.0	-
Reducing the environmental impact of production and cultivation	Significant both at producer and cultivation level and also for evaluating that suppliers are taking responsibility for the issues involved. We have an impact through collaboration and training as well as through requirements for compliance with our Code of Conduct.		Organic sales share (volume as a % of total sales)	13.6	10.0

GRI Index

This sustainability report complies with the Global Reporting Initiatives (GRI) guidelines, version Standards, and has undergone a combined review by Deloitte AB. Systembolaget, in accordance with the Core option, reports at least one disclosure or company-specific key performance indicator per material sustainability topic. For the 2020 financial year, Systembolaget has grouped its material sustainability topics around eight sustainability issues within the GRI index.

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

Disclosure no.	Name	Reference	Page	Deviation or comment
GENERAL DISCLOSURES				
Organisational profile				
102-1	Name of the organisation	Note 1 - Accounting principles	75	
102-2	Activities, brands, products, and services	Financial developments	51	
102-3	Location of headquarters	Note 1 - Accounting principles	75	
102-4	Number of countries where the organisation operates	Note 1 - Accounting principles	75	
102-5	Ownership and legal form	Corporate Governance Report	57	
102-6	Markets served	Financial developments	51	
102-7	Scale of the organisation	Financial developments Income Statement Balance Sheet Note 2 - net sales* Number of employees	51 71 72 _* 95	* See Systembolagets Ansvarsredovisning 2020 for full Notes to the Accounts.
102-8	Information on employees	Number of employees	95	It is not possible to obtain figures for contract personnel from our system in that we use our payroll system, Heroma, which only shows Systembolaget employees, in our calculations. We currently have no means of reporting contract personnel in a corresponding manner, and contract personnel are consequently excluded in order to eliminate the risk of misleading reporting.
102-9	The organisation's supply chain	Sustainable supply chain	41	
102-10	Significant change to the organisation and its supply chain	Financial developments Introduction to sustainable purchasing and range	51 39	
102-11	Precautionary Principle or approach			Systembolaget does not use the precautionary approach as a control concept per se, but we operate in accordance therewith in many cases, e.g. the risk analyses and their follow-ups conducted in order to identify, evaluate, compile and report risks, including sustainability-related risks. Risk management is followed up annually.

Disclosure no.	Name	Reference	Page	Deviation or comment
102-12	External initiatives			Systembolaget has been a member of the amfori organisation since 2011 and of Global Compact since 2013. In August 2017, an agreement was signed with the IUF, International Union of Food, Agricultural, Restaurant, Catering, Tobacco and Allied Workers Associations, and, in the same year, a decision was taken to become a member of the Global Deal. Systembolaget has also been a member of Stronger Together, an initiative that works to prevent slavery in the supply chain, since June 2018. In 2016, Systembolaget Initiated the Drinks Industry Climate Initiative together with the Swedish Spirits & Wine Suppliers' Association (SVL) and the Brewers of Sweden Association. Systembolaget has also been a member of and one of the Initiators of the Ethical Trading Initiative (ETI) Sweden since December 2019.
102-13	Membership of associations			Systembolaget is, for strategic reasons, a member of amfori, the Swedish Trade Federation, the Confederation of Swedish Enterprise, the Centre for Business and Policy Studies (SNS), the Swedish Communication Association, the Royal Swedish Academy of Engineering Sciences (IVA) and Center for Retailing (Stockholm School of Economics)
Strategy				
102-14	Statement from senior decision-maker	CEO's statement	6	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behaviour	Combating bribery and corruption	25	An internal Code of Conduct was adopted in 2015. There is also an external Code of Conduct, Employee Policy, and a Commercial Ethics Responsibility Policy.
Governance				
102-18	Governance structure	Corporate Governance Report	57	
Stakeholder engagement				
102-40	List of stakeholder groups	Stakeholder dialogue	84	
102-41	Collective bargaining agreements			100% of the employees are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Materiality analysis	14	
102-43	Approach to stakeholder engagement	Stakeholder dialogue	84	
		Customer Satisfaction Index	18	
102-44	Key topics and concerns raised	Stakeholder dialogue	84	

Disclosure no	Name	Reference	Page	Deviation or comment
Reporting practice				
102-45	Entities included in the consolidated financial statements	About our Responsibility Report	83	
102-46	Defining report content and topic Boundaries	Materiality analysis	14	
102-47	List of material topics Identified	Materiality analysis	14	
102-48	Restatements of Information	About our Responsibility Report	83	
102-49	Changes In reporting	Materiality analysis	14	
102-50	Reporting period	About our Responsibility Report	83	
102-51	Date of most recent report	About our Responsibility Report	83	
102-52	Reporting cycle	About our Responsibility Report	83	
102-53	Contact point for questions regarding the report	About our Responsibility Report	83	
102-54	Claims of reporting in accordance with GRI Standards	About our Responsibility Report	83	
102-55	GRI index	GRI index	90	
102-56	External assurance	About our Responsibility Report Audit Report and Review Report in respect of the Annual Accounts Combined assurance engagement of the Sustainability reporting Corporate Governance Report	83 97 102 57	

DISCLOSURES AND COMPANY-SPECIFIC KEY FIGURES BY MATERIAL SUSTAINABILITY TOPIC

Disclosure no	Name	Reference	Page	Deviation or comment
Limiting the harmful effects of alcohol				
103-1/2/3	Management approach disclosures to limit the harmful effects of alcohol in society	Limiting the harmful effects of alcohol	20	
413-1	Type of activity and appropriateness of the programmes being evaluated and controls on the organisation's impact on the local community			The goal of Swedish alcohol policy is to reduce total alcohol consumption in society so that the harm alcohol causes, both medical and social, is minimised. Systembolaget therefore has a clear social mandate: to sell spirits, wine and strong beer and other alcoholic beverages and related preparations with exclusive right and with responsibility and good service, and to inform about the harmful effects of alcohol. To do the latter requires research, clear information outreach and a continuous dialogue with the different sections of society.
Company-specific key figure	Opinion Index (Measures the attitude of the Swedish population to Systembolaget)	Limiting the harmful effects of alcohol	23	
Company-specific key figure	Age checks % (Ensuring that alcohol is not sold to minors)	Limiting the harmful effects of alcohol	24	

Disclosure no	Name	Reference	Page	Deviation or comment
Combating bribery and corruption				
103-1/2/3	Management approach disclosures regarding ethics and anti-corruption	Combating bribery and corruption	25	
205-3	Confirmed incidents of corruption where action has been taken	Combating bribery and corruption	26	We use this key figure to measure incidents where we have discovered that employees have breached the rules and procedures we have drawn up to combat corruption. No reports regarding any terminations of business contracts due to breaches of contractual terms committed by the supplier are made here.
Reducing climate impact throughout the value chain				
103-1/2/3	Management approach disclosures regarding the climate and environmental impact of the entire value chain, including our own business operations		27	
305-1	Carbon dioxide emissions from indirect sources calculated based on the Greenhouse Gas Protocol Scope 1, Leased vehicles and heating of training centres	Carbon dioxide emissions reported according to the GHG protocol	87	
305-2	Carbon dioxide emissions from indirect sources calculated based on the Greenhouse Gas Protocol Scope 2, Energy use in our own business operations	Carbon dioxide emissions reported according to the GHG protocol	87	
305-3	Carbon dioxide emissions from indirect sources calculated based on the Greenhouse Gas Protocol Scope 3, Other indirect sources including the below	Carbon dioxide emissions reported according to the GHG protocol	87	
Company-specific key figure	- Carbon dioxide emissions from distribution	Reducing climate impact throughout the value chain	29	
Company-specific key figure	- Carbon dioxide emissions from beverage packaging	Reducing climate impact throughout the value chain	29	
Working towards circular business solutions				
103-1/2/3	Management approach disclosures regarding circular solutions	Working towards circular solutions	31	
Company-specific key figure	Number of single-use plastic carrier bags sold	Working towards circular solutions	32	
Reflecting the diversity in society				
103-1/2/3	Management approach disclosures regarding diversity and inclusion	Reflecting the diversity in society	33	
405-1 incl. company-specific key figure	Diversity in management groups and among employees including the key figure Proportion of employees with a foreign background	Reflecting the diversity in society	34	

Disclosure no	Name	Reference	Page	Deviation or comment
Ensuring a good working environment/performance environment for employees				
103-1/2/3	Management approach disclosures regarding how we ensure a good working environment/performance environment for our employees	Ensuring a good working environment/performance environment for employees	36	
Company-specific key figure	Performance culture	Ensuring a good working environment/performance environment for employees	38	
Company-specific key figure	Sick leave %	Ensuring a good working environment/performance environment for employees	38	
Promoting human rights and good working conditions in and around our supply chain				
103-1/2/3	Management approach for GRI 414 - management approach disclosures regarding human rights and working conditions in the supply chain	Promoting human rights and good working conditions in and around our supply chain	43	
Company-specific key figure	Proportion of partners in Set Range fulfilling more than 75% of their requests and thereby being included in risk analysis	Promoting human rights and good working conditions in and around our supply chain	46	Reported with a one-year time lag.
414-2	Evaluation of negative social impact in the supply chain and measures taken	Promoting human rights and good working conditions in and around our supply chain	47	
Reducing the environmental impact of production and cultivation				
103-1/2/3	Management approach disclosures regarding the environmental impact of production and cultivation	Reducing the environmental impact of production and cultivation	48	
Company-specific key figure	Organic sales share (volume as a % of total sales)	Reducing the environmental impact of production and cultivation	49	

Number of employees 2020

	All employees			Permanent employees			Fixed-term employees			Full-time employees			Part-time employees		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Sales staff	2,026	3,284	5,310	1,531	2,500	4,031	495	784	1,279	311	327	638	1,715	2,957	4,672
Northern sales region*	1,117	1,599	2,716	862	1,240	2,102	255	359	614	153	134	287	964	1,465	2,429
Southern sales region*	909	1,685	2,594	669	1,260	1,929	240	425	665	158	193	351	751	1,492	2,243
Store managers	198	261	459	198	261	459	0	0	0	198	259	457	0	2	2
Northern sales region*	102	121	223	102	121	223	0	0	0	102	119	221	0	2	2
Southern sales region*	96	140	236	96	140	236	0	0	0	96	140	236	0	0	0
Caretakers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Northern sales region*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Southern sales region*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Head Office Staff managers	51	64	115	51	64	115	0	0	0	51	64	115	0	0	0
of which Unit managers	16	20	36	16	20	36	0	0	0	16	20	36	0	0	0
of which Area managers	14	16	30	14	16	30	0	0	0	14	16	30	0	0	0
Head Office Staff - employees	254	307	561	246	297	543	8	10	18	249	294	543	5	13	18
Contract workers															
Systembolaget total	2,529	3,916	6,445	2,026	3,122	5,148	503	794	1,297	809	944	1,753	1,720	2,972	4,692
IQ	1	7	8	1	6	7	0	1	1	1	7	8	0	0	0
Total	2,530	3,923	6,453	2,027	3,128	5,155	503	795	1,298	810	951	1,761	1,720	2,972	4,692

* Sales region

Comments: Systembolaget reports the total number of employees as of 31/12, i.e. permanent employees, fixed-term employees, employees on probation and temporary employees. Caretaker is a role that has been phased out and as of 31/12/2020 no one is employed in this job. The large number of fixed-term and part-time employees is explained by the fact that we have sales peaks at the end of the week and do not have enough work to keep weekend staff occupied on a full-time basis. This situation is common in the retail sector.

Percentage of employees 2020

	All employees (%)			Permanent employees (%)			Fixed-term employees (%)			Full-time employees (%)			Part-time employees (%)		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Sales staff	38	62		38	62	76	39	61	24	49	51	12	37	63	88
Northern sales region*	41	59		41	59	77	42	58	23	53	47	11	40	60	89
Southern sales region*	35	65		35	65	74	36	64	26	45	55	14	33	67	86
Store managers	43	57		43	57	100			0	43	57	100	0	100	0
Northern sales region*	46	54		46	54	100			0	46	54	99	0	100	1
Southern sales region*	41	59		41	59	100			0	41	59	100			0
Caretakers	0	0		0	0	0			0			0			0
Northern sales region*	0	0		0	0	0			0			0			0
Southern sales region*	0	0		0	0	0			0			0			0
Head Office Staff managers	44	56		44	56	100			0	44	56	100			0
of which Unit managers	44	56		44	56	100			0	44	56	100			0
of which Area managers	47	53		47	53	100			0	47	53	100			0
Head Office Staff - employees	45	55		45	55	97	44	56	3	46	54	97	28	72	3
Contract workers															
Systembolaget total	39	61		39	61	80	39	61	20	46	54	27	37	63	73
IQ	13	88		14	86	88			13	13	88	100			0
Total	39	61		39	61	80	39	61	20	46	54	27	37	63	73

* Sales region

Boundary: Consultants/contract workers are not reported. Staff at outsourced IT operations are also not reported. We do not record gender distribution by region. Our business is only in Sweden and therefore Sweden is our sole reporting region.

Auditor's Report

To the Annual General Meeting of the shareholders of Systembolaget AB, company reg. no. 556059-9473

Report on the annual accounts

OPINIONS

We have audited the annual accounts of Systembolaget AB for the financial year 01/01/2020 - 31/12/2020 with the exception of the Corporate Governance report on pages 57-68. The company's annual accounts can be found on pages 2-3, 9 and 50-81 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Systembolaget AB as of 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. Our opinions do not cover the Corporate Governance report on pages 57-68. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

BASIS FOR THE OPINIONS

We carried out the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in more detail in the Section entitled "Auditor's Responsibility". We are independent in relation to Systembolaget AB in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our

professional 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 audit opinions.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS

The Board of Directors and the CEO are responsible for the other information. The other information consists of the remuneration report and pages 4-8, 10-49 and 82-107 of this document, but does not include the annual accounts and our auditor's report on it.

Our opinion regarding the annual accounts does not include this information and we give no supporting opinion with regard to this other information.

In connection with our audit of the annual accounts, it is our responsibility to read the information identified above and consider whether the information is materially incompatible with the annual accounts. During this review, we also take the knowledge we otherwise acquired during the audit into consideration and assess whether the information otherwise appears to contain material inaccuracies.

If, based on the work that has been carried out regarding this information, we conclude that the other information contains a material inaccuracy, we are obliged to report it. We have nothing to report in that regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual

accounts in accordance with the Annual Accounts Act. The responsibility of the Board of Directors and the CEO also includes the internal controls they determine are necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

When preparing the annual accounts, the Board of Directors and the CEO are responsible for assessing the company's ability to continue as a going concern. They disclose, where applicable, conditions that may affect the ability to continue as a going concern and to use the assumption regarding continued operations. However, the assumption regarding continued operations does not apply if the Board of Directors and the CEO intend to liquidate the company, cease business operations or have no realistic alternative to doing either of these.

AUDITOR'S RESPONSIBILITY

Our goal is to achieve a reasonable degree of assurance as to whether the annual accounts as a whole do not contain any material inaccuracies, whether due to fraud or error, and to provide an audit report that includes our opinions. Reasonable assurance is a high degree of assurance but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material inaccuracy if one exists. Inaccuracies can arise due to fraud or error and are considered significant if they individually or together can reasonably be expected to influence the financial decisions that users make on the basis of the annual accounts.

We use professional judgement and have a professionally sceptical attitude throughout the audit as required

for an audit in accordance with ISA. Furthermore:

- we identify and assess the risks of material inaccuracies in the annual accounts, whether due to fraud or error, design and carry out audit tasks based, among other things, on these risks and collect audit evidence that is sufficient and appropriate to form the basis of our opinions. The risk of not detecting a material inaccuracy due to fraud is higher than for a material inaccuracy due to error, as fraud may include acting in collusion, forgery, intentional omissions, incorrect information or breach of internal controls.
- we gain an understanding of the part of the company's internal controls that is important for our audit in order to design audit measures that are appropriate in the circumstances, but not for the purpose of commenting on the effectiveness of the internal controls.
- we evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- we draw a conclusion about the appropriateness of the assumption regarding continued operations made by the Board of Directors and the CEO when preparing the annual accounts. We also draw a conclusion, based on the audited evidence obtained, as to whether there is any significant uncertainty factor relating to such events or circumstances that could lead to significant doubts about the company's ability to continue as a going concern. If we conclude that a significant uncertainty factor exists, we are required, in the audit report, to draw attention to the information in the annual accounts regarding the significant uncertainty factor or, if such information is insufficient, to modify the opinion regarding the annual accounts. Our conclusions are based on the

audit evidence obtained up to the date of the audit report. However, future events or circumstances may mean that a company can no longer continue as a going concern.

- we evaluate the overall presentation, structure and content of the annual accounts, including any disclosures, and whether the annual accounts reflects the underlying transactions and events in a way that gives a true and fair view.

We must inform the Board about, among other things, the planned scope and focus of the audit and the time when it will take place. We must also provide information on meaningful observations made during the audit, including any significant deficiencies in internal controls that we have identified.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts we have also carried out an audit of the administration by the Board of Directors and the CEO of Systembolaget AB for the financial year 01/01/2020 - 31/12/2020 and of the proposed appropriations of the company's profit or loss.

We recommend to the annual 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 CEO be discharged from liability for the financial year.

BASIS FOR THE OPINIONS

We carried out the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in more detail in the Section entitled "*Auditor's Responsibility*". We are independent in relation to Systembolaget AB in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional 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 audit opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. When proposing a dividend, this includes, among other things, an assessment of whether the dividend is justifiable with regard to the requirements that the company's type of business, its scope and risks place on the size of the company's equity, consolidation needs, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of its affairs. This includes, among other things, continuously assessing the company's financial situation and ensuring that the company's organisation is designed so that its accounting, asset management and financial affairs are otherwise adequately controlled. The CEO manages the day-to-day administration in accordance with the guidelines and instructions from the Board of Directors

and, among other things, takes the measures necessary for the company's accounting to be carried out in accordance with law and for its assets to be adequately managed.

AUDITOR'S RESPONSIBILITY

Our goal regarding the audit of the administration, and thus our opinion on discharge from liability, is to collect audit evidence in order to be able to assess with a reasonable degree of assurance whether any Board member or the CEO have in any significant respect:

- taken any action or committed any negligence that may give rise to liability for damages against the company; or
- acted, in any other way, in violation of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our goal regarding the audit of the proposed appropriations of the company's profit or loss, and thus our opinion on this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high degree of assurance but is no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect actions or negligence that may give rise to liability for damages against the company, or that a proposal for appropriation of the company's profit or loss is not in accordance with the Companies Act.

We use professional judgement and have a professionally sceptical attitude throughout the audit as required for an audit in accordance with generally accepted auditing

standards in Sweden. The review of the administration and the proposed appropriations of the company's profit or loss is mainly based on the audit of the accounts. Any additional review measures that are carried out rest on our professional judgement based on risk and materiality. This means that we focus the review on such measures, areas and conditions as are material to the business and where deviations and infringements would have particular significance for the company's position. We review and examine decisions that were made, the basis for the decisions, measures that were taken and other circumstances relevant to our opinion on discharge from liability. As a basis for our opinion regarding the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Auditor's review of the Corporate Governance report

The Board of Directors is responsible for the Corporate Governance report on pages 57-68 and for preparing it in accordance with the Annual Accounts Act.

Our review has taken place in accordance with the Swedish Association of Certified Public Accountant's (FAR's) note RevU 16 "*The auditor's review of the Corporate Governance report*". This means that our review of the Corporate Governance report has a different focus and much smaller scope compared to the focus and scope of an audit in accordance with International

Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinions.

A Corporate Governance report has been prepared. Disclosures in accordance with Chapter 6 Section 6, second paragraph points 2-6, of the Annual Accounts Act are compatible with the other parts of the annual accounts and are in accordance with the Annual Accounts Act.

Stockholm 18 March 2021

Deloitte AB

Didrik Roos
Authorised Public Accountant

The auditor's opinion regarding the statutory sustainability report

To the Annual General Meeting of the shareholders
of Systembolaget AB, company registration no.
556059-9473.

TASK AND ALLOCATION OF RESPONSIBILITY

The Board of Directors is responsible for the sustainability report for 2020 on pages 4-8, 10-49 and 82-107 and for preparing it in accordance with the Annual Accounts Act.

FOCUS AND SCOPE OF THE REVIEW

Our review has taken place in accordance with the Swedish Association of Certified Public Accountant's (FAR's) recommendation RevR 12 "*Auditor's opinion on the statutory sustainability report*". This means that our review of the sustainability report has a different focus and much smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

OPINION

A Sustainability Report has been prepared.

Stockholm 18 March 2021

Deloitte AB

Didrik Roos
Authorised Public Accountant

Review report regarding the annual accounts

To the Annual General Meeting of the shareholders of Systembolaget AB, company registration no. 556059-9473.

In our role as lay auditors and on behalf of the Government Board, we have reviewed the administration and internal controls in Systembolaget AB for the year 2020. We have reviewed significant decisions, measures and conditions in the company in order to assess whether the business has been managed in an appropriate and financially satisfactory manner and whether the company's internal controls are sufficient. Our review has not uncovered any circumstances worthy of comment. We have also reviewed whether the company, its management and Board of Directors comply with the guidelines for Systembolaget AB specifically and for state-owned companies in general that have been laid down by governments. With regard to this, our review again failed to uncover any circumstances worthy of comment.

Stockholm 18 March 2021

Johan Forssell
(Lay auditor)

Jörgen Hellman
(Lay auditor)

Ulrika Heindorff
(Lay auditor)

Auditor's report on the combined review of Systembolaget AB's sustainability report

To Systembolaget AB, company reg. no. 556059-9473

INTRODUCTION

The Board of Directors of Systembolaget AB has tasked us with reviewing Systembolaget AB's sustainability report for 2020. The company defined the scope of the sustainability report in the table of contents to Systembolaget AB's 2020 Responsibility Report.

The responsibility of the Board of Directors and senior management for the sustainability report

The Board and senior management are responsible for preparing the sustainability report in accordance with applicable criteria set out in the table of contents to Systembolaget's 2019 Responsibility Report. These criteria consist of those parts of the framework for sustainability reporting published by GRI (Global Reporting Initiative) applicable to the sustainability report, as well the reporting and calculation principles developed by the company. This responsibility also includes the internal checks deemed necessary to prepare a sustainability report that does not contain material inaccuracies, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the sustainability report based on our review. Our assignment is limited to the historical information reported and does not include future-oriented tasks.

We performed the assignment in accordance with *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The assignment consisted of a general review of the sustainability report as a whole and an audit of certain information specified below. The aim of an audit is to achieve reasonable assurance, in order to ensure that the information does not contain material inaccuracies. An audit includes reviewing a selection of the supporting evidence underlying the quantitative and qualitative information contained in the sustainability report. A general review consists of making inquiries, primarily with those persons responsible for preparing the sustainability report, carrying out an analytical review and taking other general review measures. A general review has a different focus and a much smaller scope as compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards.

The auditing company applies ISQC 1 (International Standard on Quality Control) and thus has an all-round quality control system which includes documented guidelines and procedures regarding compliance with professional ethical requirements, standards of professional practice and applicable requirements in acts and other statutes. We are independent in relation to Systembolaget AB in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethical responsibilities in accordance with these requirements.

Therefore, the conclusion we express on the basis of our general review does not have the same level of certainty as our conclusion expressed based on our audit. As this is a combined assignment, we have submitted our conclusions regarding the audit and the general review in separate sections.

Our audit included the following sustainability-related information presented in Systembolaget AB's 2020 Responsibility Report 2020, key figures "Sick Leave", "Gender Ratio", "Share with Foreign Background" and "Performance Culture" on pages 34-35 & 38.

Our review is based on the criteria chosen by the Board and senior management as defined above. We believe these criteria are suitable for preparing the sustainability report.

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

OPINIONS

Based on our general review, nothing has emerged to give us reason to believe that the sustainability report has not, in all material respects, been prepared in accordance with the criteria specified by the Board of Directors and senior management above.

Based on our audit, we believe that the information in the sustainability report covered by our assignment has, in all material respects, been prepared in accordance with the criteria specified by the Board of Directors and senior management above.

Stockholm 18 March 2021

Deloitte AB

Didrik Roos
Authorised Public Accountant

Glossary

ANDT

Stands for Alcohol, Drugs, Doping and Tobacco-related issues. The ultimate goal of the ANDT strategy is a society free of drugs and doping, with reduced medical and social harm caused by alcohol and reduced tobacco use.

ALCOHOL INDEX

The Alcohol Index is an overall measure of people's attitudes to alcohol in different situations. The higher the index (on a scale of 0–100), the more restrained the attitude towards alcohol. The Alcohol Index is derived from the answers to seven questions about what people think is right and wrong as regards alcohol. The survey also asks further questions, including five about "everyday drinking" that form the basis for the Everyday Index. The questions are asked once a year to at least 2,000 people aged 16 years and above. Data collection is carried out by Novus.

ALCOHOL CONSUMPTION

The consumption of alcoholic beverages, converted to litres of pure alcohol per person aged 15 and above. Alcoholic beverage means a beverage with an alcohol content greater than 2.25 volume percent (Alcohol Act 2010:1622).

ALCOHOL TAX

Alcohol tax is a state excise duty. Changes to the alcohol tax affect Systembolaget's revenues in parallel with the cost of goods sold, which is why changes to alcohol tax have no impact on gross profit.

AMFORI

Since 2018, the sustainability initiative to which Systembolaget belongs, the Business Social Compliance

Initiative (BSCI), has reformed as amfori. This has taken place as part of the merger decided between FTA (Foreign Trade Association - focus on business issues), BEPI (Business Environmental Performance Initiative - focus on environmental issues) and BSCI (focus on social issues). BSCI has retained its name for a transitional period (as has BEPI), but they will completely switch over to amfori.

The Brussels-based initiative is a European business-driven collaborative programme for companies looking to improve working conditions in the global supply chain.

CFI

Claes Fornell International CFI AB, the company that carries out our surveys for the Satisfied Customer Index.

GLOBAL COMPACT

UN initiative and framework for sustainable business whose principles we are committed to follow. Global Compact is designed around ten principles within human rights, working conditions, the environment and anti-corruption.

GLOBAL DEAL

In November 2017, Systembolaget chose to join Global Deal, an initiative that seeks to enhance social dialogue between the parties in the labour market and countries' governments to improve employment conditions and productivity. Initiated by Swedish Prime Minister Stefan Löfven, Global Deal has been developed in collaboration with the OECD and the ILO. Agenda 2030 contains a specific goal on decent working conditions and economic growth, and the Global Deal is a contribution to this being achieved.

MYSTERY SHOPPERS

Persons aged 20–24 who make control purchases in our stores to see whether we are following our sales rules regarding age checks.

CUSTOMER SATISFACTION INDEX (CSI)

The CSI measures how satisfied customers are with Systembolaget. The overall index is an average of the following three questions:

- How satisfied or dissatisfied are you with Systembolaget's stores overall?
- How well do Systembolaget's stores meet your expectations?
- Imagine a store that sells alcoholic beverages and is perfect in every way. How close or far away from this ideal do you think Systembolaget's stores are?

Customers' answers, which are given on a scale from 1 to 10, are converted to a number between 0 and 100. Systembolaget appointed the CFI Group to carry out the survey. A total of just over 24,000 customers were interviewed for this year's surveys. CSI is measured and reported three times a year.

Due to the ongoing pandemic, the second and third surveys for 2020 were carried out via digital recruitment. For this year's second survey, customers were contacted both via a web panel and via a temporary Systembolaget panel. The Systembolaget panel activated prior to this year's second survey consisted of customers recruited in-store for one of the three previous surveys who had indicated they were prepared to take part in future surveys within 12 months. Results from the Systembolaget panel have been used to ensure comparability with previous surveys, while results from the web panel are a starting point for future surveys. Only customers in the web panel were contacted

for the year's third survey.

OPINION INDEX (OPI)

The Opinion Index measures what proportion of Sweden's population wants to retain Systembolaget and its monopoly for selling strong beer, wine and spirits. The interviewees are asked their opinion on the question: Do you think we should keep Systembolaget and its monopoly for selling strong beer, wine and spirits or do you want other shops to be able to sell strong beer, wine and spirits?

Systembolaget appointed Kantar Sifo to carry out the survey. A total of 750 randomly selected people aged 15 and above are interviewed every month with the exception of July (no interviews) and August (1,500 interviews). The Opinion Index is reported quarterly.

PERFORMANCE CULTURE

Performance culture measures the extent to which employees feel that their work gives them the conditions they require to perform (want, know, can, may and should) as well as the individual's experience of having his or her basic needs catered for. Measured once a year via a common employee survey.

TOTAL SICK LEAVE

Total sick leave is measured based on the Swedish National Financial Management Authority's definition and measures hours of sick leave relative to all available hours during the same period.

PROFIT MAXIMISATION

When the main purpose of an organisation's business operation is to generate the maximum possible profit for the owner.

AGE CHECKS

Age checks measure the proportion of occasions when identification is requested as a percentage of the total number of control purchases. Control purchases are carried out by persons in the 20–24 year-old age group. Systembolaget appointed Better Business to carry out the purchases. From 2020, the strategic key figure will include age checks in all channels (i.e. in store, home delivery and via agents). Age checks are carried out daily and reported monthly.

ANNUAL EMPLOYEES

Annual employees corresponds to hours worked including holidays divided by the number of hours for a full-time job during the period in question. The parameter annual employees was introduced in 2018 to replace the previous parameter of average number of employees.

OWNER'S GOALS

The owner's goals consist of the mission goals and financial targets set out in the owner's instructions and which were adopted at the Annual General Meeting on 11 December 2019

Definition of alternative key figures

Alternative key figures are financial measures that are not defined under IFRS. Systembolaget believes that these measures give the owner, Board and senior management valuable supplementary information as they facilitate evaluation of results and financial developments. Three alternative key figures are included as goals in the owner's instructions to Systembolaget.

These alternative key figures are not always comparable with measures used by other companies as calculations may be made in different ways. These financial measures should therefore be seen as a complement to measures defined in accordance with IFRS. For a check of the alternative key figures that cannot be directly derived from the financial reports, see the calculations below.

Key figure	Description	Area of use
Return on equity	Profit (loss) for the period (rolling 12 months) as a percentage of average adjusted equity. Equity is adjusted for standard tax on untaxed reserves.	The key figure is included as a goal in the owner's instructions to Systembolaget.
Cost-effectiveness	Cost-effectiveness is calculated on the basis of the ratio between total overheads (adjusted for one-off items) relative to quantity sold (the number of packages sold weighted on the basis of each product group's estimated handling time).	The key figure is included as a goal in the owner's instructions to Systembolaget and reported annually.
Operating margin	Operating margin excluding alcohol tax is calculated based on operating profit (loss) as a percentage of net sales excluding alcohol tax.	The key figure shows the extent to which revenue covers operating costs.
Operating profit (loss)	Operating profit (loss) is calculated based on gross profit (loss) with addition of other operating income and deduction of operating expenses.	The key figure shows profit (loss) before net financial income/expense and tax.
Equity/assets ratio	Adjusted equity as a percentage of total assets. Equity is adjusted for standard tax on untaxed reserves.	The key figure is included as a goal in the owner's instructions to Systembolaget.

Return on equity

MSEK	2020	2019
Profit (loss) for the period, rolling 12 months	471	240
Average adjusted equity ¹	1,688	1,552
Return on equity	27.9%	15.5%

Cost-effectiveness

MSEK	2020	2019
Total overheads (MSEK) adjusted for one-off items	4,202	3,930
Quantity sold (millions), weighted based on handling time	1,832	1,636
Cost-effectiveness	2.3	2.4

Operating margin

MSEK	2020	2019
Net sales including alcohol tax	36,737	32,211
Net sales excluding alcohol tax	22,605	19,740
Alcohol tax	14,132	12,471
Operating profit (loss)	542	229
Operating margin excluding alcohol tax	2.4%	1.2%
Operating margin including alcohol tax	1.5%	0.7%

Equity/assets ratio

MSEK	2020	2019
Balance sheet total	6,815	6,107
Adjusted equity ²	1,794	1,583
Equity/assets ratio	26.3%	25.9%

1. Average adjusted equity

MSEK	2020	2019
Equity	1,794	1,563
Tax allocation reserve	0	25
Standard tax on untaxed reserves	21.4%	21.4%
² Adjusted equity	1,794	1,583
Adjusted equity for the same period in the previous year	1,583	1,522
Average adjusted equity	1,688	1,552

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Financial calendar

22 April 2021 Annual General Meeting for 2020

23 April 2021 Interim Report January – March 2021

16 July 2021 Interim Report January – June 2021

22 October 2021 Interim Report January – September 2021

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