Systembolaget is there for everyone. We make a difference. Everyone should be able to rely on us to sell responsibly and that our aim is to protect public health. We have summarised our approach in our customer promise: you should always feel welcome, you should always feel that you can learn something from us, and you should always be able to rely on us to sell responsibly. This customer promise summarises what Systembolaget is all about.
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Systembolaget’s 2013 Responsibility Report

Our mandate is to sell responsibly, to offer a high quality service, and to provide information on the risks associated with alcohol.

This Responsibility Report integrates our annual accounts and our Corporate Governance Report with our Sustainability Report.

The 2013 Sustainability Report is published in two complementary parts:

**Part 1**
*Presenting...*
- a general description of our mandate, vision, customer promise, and responsibility
- an in-depth look at our work from a variety of perspectives: society, customers, employees, suppliers and owners

**Part 2**
*Presenting...*
- a comprehensive financial report, including the Corporate Governance Report (formal Annual Report)
- an in-depth sustainability report including details of our reporting in accordance with the Global Reporting Initiative, GRI

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About the Sustainability Report
The financial reporting refers to Systembolaget AB. The in-depth sustainability report includes the Parent Company, Systembolaget AB, and the wholly-owned subsidiary company, IQ-initiativet AB. Global Reporting Initiatives (GRI) guidelines are applied in the report for level B+. A review of the GRI Report has been carried out by Ernst & Young AB. For a full list of contents, see pages 66–67.
Our vision

Our vision is of a society in which alcoholic drinks can be enjoyed with due regard for health considerations so that no one is harmed. This is, in practice, a zero tolerance vision when it comes to alcohol-induced harm, and might seem rather utopian. The point of the vision is, however, that it clearly states what we are striving to achieve. The vision entails a far-reaching responsibility and it covers every single person in Sweden.

Our mandate

Alcoholic beverages are not just another product. If you drink in moderation, it can enrich your life, particularly if you enjoy it as an accompaniment to good food. But it can also cause a range of problems. And that’s why Systembolaget exists. The starting point for the mandate Systembolaget has received from the State is that we have a sole right on retail sales of strong beer, wine and spirits, and other fermented alcoholic beverages in Sweden. This sole right limits availability, which is one of the most effective ways of reducing the harmful effects of alcohol. This means that we do not sell to anyone under the age of 20, or to anyone who is noticeably intoxicated, or to anyone whom we suspect will resell the products. It also means that we do not attempt to persuade anyone to buy more than they had originally intended, that we do not advertise our products, and that we have no requirement to maximise our profits.

Our mandate – as an alcohol policy tool – is to sell alcohol, offering a high quality service and providing information about the risks associated with alcohol.

Our values

Our values permeate the entire company and everything we do. We shall be considerate, knowledgeable and inspirational. We shall show, through our genuine commitment, that we care.

We show respect and thoughtfulness for our customers and one another.

Our expertise includes our products, their use and their risks. Our inspiration is drawn from our mandate. We think innovatively, are proactive and committed, and this inspires those around us. We offer enjoyable taste experiences from our extensive product range while simultaneously inspiring people to be aware of and to think about their alcohol consumption.

Our customer promise: you should always feel welcome, you should always feel that you can learn something from us, and you should always be able to rely on us to sell responsibly.
We make a difference

Systembolaget is an integral part of Swedish alcohol policy. Researchers have shown that Systembolaget’s monopoly and our responsible approach to selling contributes to:
- 11 million fewer days of sick leave per year. There is a link between alcohol consumption and diseases such as high blood pressure, liver damage, cancer, diabetes and depression.
- 20,000 fewer crimes of violence per year. Alcohol is usually part of the picture.
- 2,000 lives saved per year. Under the current alcohol policy, approximately 4,200 people die every year from alcohol-related causes. Without Systembolaget, this number would increase to approximately 6,100 per year.
- 6,600 fewer cases of DUI (driving under the influence) reported per year. 18,100 cases of DUI are currently reported every year in Sweden. It is estimated that if alcohol were sold in food shops, this figure would increase to 24,700 cases of DUI per year.

1 Norström T. et al. Addiction, Potential consequences of replacing a retail alcohol monopoly with a private license system, 2010

Our strategic key performance indicators

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<th>Stakeholders</th>
<th>Strategic orientation</th>
<th>Goal 2013</th>
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<tr>
<td>Society</td>
<td>We shall actively contribute to the realisation of a responsible alcohol policy and achieve strong popular support.</td>
<td>Alcohol index 1 &lt;br&gt;Proof of age checks</td>
<td>62 &lt;br&gt;95</td>
<td>66 &lt;br&gt;96</td>
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<tr>
<td>Customers</td>
<td>We shall develop a cutting edge offering and shall invite participation in a dialogue on alcohol and health.</td>
<td>OPI, % &lt;br&gt;CSI</td>
<td>70 &lt;br&gt;81</td>
<td>72 &lt;br&gt;82</td>
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<tr>
<td>Employees</td>
<td>We shall have skilled and committed employees and managers who carry out and communicate our mandate.</td>
<td>ESI &lt;br&gt;Short sick leave, %</td>
<td>79 &lt;br&gt;2.3</td>
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<td>Suppliers</td>
<td>We shall be professional and transparent and, in dialogue with our suppliers, live up to our customers’ expectations.</td>
<td>QSI</td>
<td>93</td>
<td>93 &lt;br&gt;93</td>
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<tr>
<td>Owners</td>
<td>We shall be sustainable and cost-effective in every process and decision.</td>
<td>Trading margin 2, % &lt;br&gt;Operating margin 1, %</td>
<td>22.5 &lt;br&gt;1.5</td>
<td>21.2 &lt;br&gt;1.1</td>
</tr>
</tbody>
</table>

1 New strategic key performance indicator, as of 2013. For definitions of the key performance indicators, see Definitions on page 68.
2 Excluding alcohol tax.

● The goal has been achieved. ○ The goal has not been achieved.
Alcoholic beverages are not just another product. And that’s why Systembolaget exists – as an alcohol policy tool. We exist to help limit the harmful effects of alcohol in society.

considerate, knowledgeable and inspirational

Our work is guided by our values – considerate, knowledgeable and inspirational – which permeate everything we do both in our interaction with the customer and our methodologies. The values also describe how we want others to perceive us. Systembolaget has continued, in 2013, to work with our internal management skills in order to ensure a customer interaction that impresses by its responsibility and the high standard of service we provide.

Systembolaget’s 5,000 or so employees have completed an employee satisfaction survey during the year, showing how many associate their work with job satisfaction and motivation. Sales increased slightly during the year in terms both of volume and income, and totalled 468 million litres and almost SEK 26 billion, respectively. The operating profit, adjusted for the negative effect of a provision made to Systembolaget’s pension foundation, improved from SEK 270 million to SEK 330 million.

TNS SIFO measures public support for Systembolaget’s monopoly in the form of an Opinion Index, which continued, in 2013, to show a record high level of 72 per cent. The Customer Satisfaction Index rose to a new record level of 82. The target figures for the Customer Satisfaction Index and Opinion Index were 81 and 70 per cent, respectively, and we hence exceeded the goals we had set for 2013. I see these figures as proof that our work is appreciated and that Swedes see the need for Systembolaget. Our aim, in 2014, is to see if we can make further improvements to our customer interaction by means of measures such as increased proactivity, responsibility and further improvements to our product range.

Alcohol consumption in Sweden

Systembolaget’s products are often associated with mealtimes, socialising and parties. But alcohol is also at the root of a great deal of violent crime and of numerous accidents and diseases. Sweden has come a long way – our alcohol consumption levels are amongst the lowest in the EU1, but research shows that the abolition of Systembolaget’s monopoly would lead to an increase in alcohol consumption2.

And the people who would suffer most are young people and those whose alcohol consumption levels are already high. Systembolaget is needed and it makes a difference.

A smarter approach to alcohol
Systembolaget’s mandate to handle all retail sales of strong beer, wine and spirits also includes a duty to provide information on the risks associated with alcohol consumption. We are involved in a large number of preventative activities and partnerships, such as our collaboration with the police in conjunction with our anti-bootlegging campaigns, and via our subsidiary company, IQ-initiativet AB, which works to help promote a smarter approach to alcohol. Positive results include the postponement of young people’s alcohol debut: in 2000, approximately 80 per cent of young people in grade 9 were alcohol consumers, while by 2012, this figure had fallen to 56 per cent – the lowest levels measured since measurements began in 1971.

Systembolaget carries out proof of age checks on everyone we believe is under the age of 25 to ensure that we are not selling to people under the age of 20. Approximately 5,700 control purchases were made in our stores in 2013 by an independent survey company. Systembolaget asked for proof of age in 96 per cent of the control purchase instances, which is an improvement on the figure for the previous year. Compliance with our selling rules is of the utmost importance to Systembolaget and we have consequently set a target figure of 95 per cent – a figure that we will continue to aim for in 2014.

The alcohol index is a combined measurement of people’s attitudes to alcohol in different situations and, as of 2013, a new strategic key ratio for Systembolaget. In 2013, the Alcohol Index figure was 66, in comparison with one of 62 in 2012. The goal for 2013 was 62. The Alcohol Index will also, as of 2014, be one of our overall sustainability goals.

Alcohol researchers and representatives of stakeholder organisations and authorities met up at Systembolaget’s learning centre on Skarpö to attend the annual alcohol research conference. The conference is, along with Systembolaget’s support for alcohol research, an expression of our ambition and our view that research findings will, in the longer term, generate the preconditions for better public health. The Board of Directors has consequently decided to increase our support for alcohol research from SEK 3 million to SEK 5 million per annum.

Sustainability work is key for Systembolaget
Taking responsibility for working conditions, human rights, environmental issues, anti-corruption and equal opportunities is a given for us, both within our own operations and throughout the drinks supplier chain.

Achieving real results demands a systematic and long-term approach to the work. Systembolaget’s long-term sustainability work is based on the UN Global Compact initiative and its ten principles for human rights, working conditions, the environment and anti-corruption. Systembolaget has supported the principles of the Global Compact, which underlie our overall

The President’s statement

business strategy, since 2013, and has also been coordinating its sustainability work with the other Nordic alcohol monopolies since 2008. We also report our sustainability work in accordance with the Global Reporting Initiative (GRI) guidelines.

We have noted a number of trends in the outside world and on which we must take a stance when it comes to sustainability. These include an increased focus on human rights in high-risk countries when it comes to such areas as a living wage, food, water and children’s rights. Looking forward, we anticipated increased work to counter corruption, an increased focus on the ecocycle, and a growing interest in sustainability information, including the quantification of and compensation for CO2 emissions. And in addition an increased awareness of health and welfare and a public opinion for value-driven companies.

It was in the light of, amongst other things, the above-mentioned factors, that in November, the Board approved two overall sustainability goals to be monitored by the Board and the owner: our contribution to reducing the harmful effects of alcohol in society, measured by means of the Alcohol Index, and a reduction in Systembolaget’s environmental footprint. The Alcohol Index target figures for 2017 and 2020 are 63 and 64 (using 2013 and 62 as the base levels), while the environmental footprint target figures are a reduction in CO2e (carbon dioxide equivalents) of 7,000 and 14,000 tonnes, respectively.

We have identified these areas as being the most relevant ones with which to work, based on our risks and opportunities, which include the risk of encountering corruption and unacceptable working conditions in the supplier chain, in that several of our wine producers are located in high-risk countries, such as South Africa and Chile, in terms of human rights and working conditions.

A great deal of work remains to be done before we see the results of our work, as is confirmed by the Swedwatch4 report. We need, for example, to carry out more supplier audits in that it is here that we see the greatest potential for influencing development in a positive way, and we accordingly intend to conduct a total of 17 such audits in 2014.

Systembolaget has provided training courses for its suppliers and producers and has now started monitoring Code of Conduct compliance by means of producer audits. The Code of Conduct, which is based on the principles of the UN’s Global Compact initiative, is scheduled for revision in line with new international conventions. The aim is to complete work on both the sustainability strategy and the revised Code of Conduct during the first half of 2014.

Systembolaget’s Board of Directors and certain members of the management team visited South Africa in March as part of our work and in order to further our knowledge of a country that is one of our biggest supplier countries when it comes to wine. The aim of the trip was to learn more about actual working conditions in the country and, at the same time, to make it clear to our suppliers just how important sustainability issues are to us.

Systembolaget prioritises the promotion of equal rights for all in society when it comes to work, developmental opportunities at work, terms of employment and other conditions, and the Board has drawn up an equal opportunities plan during the year in order to progress this work. We have identified a number of areas in which we can improve: the percentage of foreign-born Systembolaget employees is, for example, considerably lower than the national average for Swedish firms. This is something we want to change. I believe that just as we need to make the most of both men’s and women’s expertise, we also need the expertise of people with different experiences and backgrounds. This is important, not least in our interaction with the customer.

Worrying e-commerce and aggressive marketing

The growing commercial sales of alcohol online may, in the long term, give rise to additional alcohol-related problems in Sweden5. Given the sharp increase in aggressive, proactive marketing, effective and proactive supervision of Swedish alcohol regulations is becoming

5 Blom, C & Arnberg, J (2013) Sales of alcohol online, HUI Research.
Our objective is to develop our offering in a sustainable way, to contribute to a more informed consumption of alcohol, and to develop our methodology, our management skills, and our partnerships.

We see three main challenges ahead of us. The first is our customers’ increased expectations in relation to our mandate. Customers expect to be able to complete their business, whatever their preferred channel – whether in store or online. This increase in customer expectations is apparent in the surveys we conduct and in our daily customer interactions. We have noted a slight decline in alcohol consumption, but that there are still substantial gaps in people’s knowledge when it comes to how alcohol affects health. And it is here that we see our second challenge: to inform people and thereby reduce the harmful effects of alcohol. Systembolaget’s monopoly is also facing a challenge in the form of online sales of alcohol, often accompanied by aggressive and proactive marketing – something that could have major consequences in the future. A trend in which alcoholic beverages are depicted as just another product is an unfortunate one, and one we deplore.

It is my hope and belief that Systembolaget is well-positioned to continue playing an important role in Sweden’s future alcohol policy – a policy that is designed to reduce the harmful effects of alcohol. Systembolaget stands for a concept: restrictions for the benefit of all and in order to promote public health, and more informed choices for the individual. Our expertise covers not only our products but their usage and their associated risks. We help create a healthy drinking culture by presenting good taste experiences and a high quality product range, while simultaneously inspiring people to think about their consumption, to be aware and informed, and to be responsible.

The President’s statement

Systembolaget now in every local authority area in Sweden

The opening of a new Systembolaget store in Knivsta means that Systembolaget now has a retail presence in every single one of Sweden’s 290 local authority areas. There are, in addition to the stores, just over 500 agents located throughout the country and from whom customers can order goods for collection.

In September, we adjusted our product range to increase the level of local customisation in line with customer demand in-store.

Future challenges for Systembolaget

In June, the Board of Directors adopted a strategic plan that runs until 2017 and which is designed to further our efforts to realise our vision of a society in which alcoholic drinks are enjoyed with due regard to health considerations – and where no one jeopardises their well-being.

Magdalena Gerger
President

6 IQ report 2013:2, Online alcohol advertising primarily affects young people.
7 See the Customers section on page 26.
8 Ramstedt, M (ed.), Alcohol in figures, 2012 – a statistic report from the SoRAD (the Centre for Social Research on Alcohol and Drugs) Monitor project.
Significant events in 2013

Q1

- January saw the opening of a new store in Knivsta, and Systembolaget consequently now has a presence in all 290 of Sweden’s local authority areas. By the end of the year, Systembolaget had a total of 426 stores.

- We support alcohol research through Systembolaget’s Alcohol Research Council. In the spring, we held our annual alcohol conference, which was attended by representatives of stakeholder organisations and various different authorities. The points under discussion included young people’s consumption patterns, alcohol advertising, and online sales of alcohol.

- Systembolaget’s subsidiary company, IQ-initiativet, sent Tonårsparlören (“The Teenage Phrasebook”) out to 93,285 parents of children born in 1999. The booklet provides facts, arguments to use and tips when talking with their teenager about alcohol.

- The Customer Satisfaction Index (CSI) metric – the key ratio we use to measure the things that are important to our customers and how well we are living up to their expectations – reached 82 during the first six months of the year.

Q2

- In March, a team made up of Members of the Board of Systembolaget and individuals from the company management team travelled to South Africa. The aim of the trip was to learn more about actual working conditions and, at the same time, to make it clear how important sustainability issues are to us.

- Systembolaget introduced two new strategic key ratios, namely the Alcohol Index and the Operating margin excluding alcohol tax. The Alcohol Index measures Swedes’ attitudes towards alcohol in different situations, while the operating margin ratio shows the operating profit as a percentage of income, excluding alcohol tax.
Significant events in 2013

Brief facts 2013

- Net sales: SEK 25.7 billion
- 5,087 employees
- 426 stores and approx. 500 agents
- Approx. 800 active drinks suppliers
- 15,957 items:
  - 2,496 in the fixed range
  - 13,155 in the available-for-order range
  - 306 in the temporary range
- Approx. 120 million customer visits to the stores and 24 million visits to systembolaget.se
- Customer service answered 116,000 emails and phone calls
- The app Search & find was used 10 million times.

Q3

- Home delivery trials were expanded during the year to include the available-for-order range, and the ability to order for home delivery was also extended to additional post code areas and counties. The trial is being evaluated by independent alcohol researchers.
- Swedwatch conducted a review of Systembolaget’s sustainability work and Code of Conduct, producing a report detailing their findings in December. The review highlights the challenges faced within the wine-producing industry and expands our knowledge of the field, while simultaneously helping to boost Systembolaget’s work and strengthen its commitment in this area.

Q4

- We implemented a new product range control system in the autumn of 2013 that will result in a localised and faster adaptation in line with customer demand. It will also mean that our in-store shelving for wine is now sorted first by country of origin and then by price bracket.
- A film entitled “Avdramatisera” (“It’s no big thing”) on the subject of illicit supply was shown on TV and social media. It was subsequently awarded first prize in the 2013 Best advertising film category of SF Media’s advertising impact awards.
- A total of approximately 5,700 control purchases were made in Systembolaget stores during the year in order to ensure that we are not selling to people under the age of 20. The results for 2013 achieved a new record level, with proof of age requested in 96 per cent of control purchases made.
Our responsibility goes beyond

Systembolaget is an alcohol policy tool and the reason we exist is to limit the harmful effects of alcohol in society. We do not sell to anyone under the age of 20, or to anyone who is noticeably intoxicated, or to anyone whom we suspect will illicitly resell the products. We also work to promote good working conditions, human rights, environmental issues and anti-corruption, not just within our own operations, but throughout our drinks supplier chain.

Human rights and working conditions at the producer stage of the chain have come increasingly under society’s spotlight in recent years. Poor working conditions, deficient health and safety routines, child labour, and various kinds of discrimination have been discussed, as has the question of corruption. There is also an increased societal interest in environmental and climate change issues. There is a growing realisation on the part of companies, authorities and organisations that these complex issues demand work on a multitude of fronts, both in parallel and by many different stakeholders working in collaboration. Systembolaget works systematically and takes a long-term approach in these areas, both on its own initiative and in partnership with others.

Nordic partnership
Systembolaget has worked in partnership with the other Nordic alcohol retail monopolies in Norway, Finland, Iceland and the Faeroes since 2008 in order to identify ways of establishing a sustainable drinks supplier chain. Together, we are a sizeable and significant purchaser with substantial potential for influencing the producers. Over the past five-year period, we have, in partnership with the other Nordic monopolies, drawn up both a Code of Conduct and a monitoring system. We have held training courses for suppliers and producers, and begun to monitor compliance with the Code of Conduct by carrying out producer audits. The past year has seen this partnership strengthened still further and we have begun work on the development of a new Nordic platform for our joint efforts up until 2018. This platform includes not only working conditions, but human rights and anti-corruption work in the supplier chain, together with a strong focus on the environment. Find out more about our systematic efforts to establish a sustainable supplier chain on page 44.

Systembolaget’s environmental plan
In 2011, Systembolaget adopted a long-term environmental plan that extends until 2020. Our work over the past year has mainly focused on waste management, transport, increasing the number of products and packaging types that have a lower environmental impact, and increasing the recycling of our packaging. Find out more about our systematic environmental work on pages 47–49 of Part 2 of this Report, or at systembolaget.se.

Risk and opportunities
The risk of encountering corruption in the course of our operations is relatively substantial, as is the risk of unacceptable working conditions occurring somewhere in our worldwide supply chain. We know, when it comes to environmental
Corporate Social Responsibility

issues, that our operations, including the value chain, have a substantial climate impact in the form of packaging, cultivation, production and transportation. This overall impact is the reason why Systembolaget prioritises sustainability issues and ranks them amongst the most important when carrying out company-wide mapping of the risks we face.

The focus of our CSR work
The Board of Directors and company management have agreed on a number of priority action areas within the following overall areas: human rights, working conditions, anti-corruption, the environment, and equal opportunity. It is within the supplier stage of the drinks chain that we have the greatest potential for making a difference and influencing developments in the right direction. We will also continue our internal work with business ethics issues in order to ensure that we live up to the standards we demand of our suppliers. Find out more on page 39.

Leadership for sustainable development
In May, the Overseas Development Agency, SIDA, invited Systembolaget and 20 other major Swedish companies to attend its new initiative, “Leadership for sustainable development”. The aim is to work together on identifying ways in which the companies can work to promote sustainable development, e.g. by reducing their environmental impact, generating good working conditions, and combating corruption. Two CEO meetings and three working meetings have been held during the year and will result in concrete collaborative projects in 2014.

We break our corporate social responsibility down into three working areas: our alcohol policy mandate, our commitment to the alcohol issue, and our sustainability work.

- Limit the harmful effects of alcohol.
- Extended commitment to the alcohol issue.
- Sustainability work. Conduct our operations in line with the principles of the UN’s Global Compact initiative.
Open dialogue with stakeholders

Systembolaget’s various stakeholders make demands on our operations in line with their respective perspectives, and we maintain an open dialogue with them in order to ensure we are up to date with their views, requirements and expectations, which is an important tool in the context of our strategic work. This dialogue takes the form of meetings and seminars, and we also employ surveys, business intelligence, and analyses in order to monitor trends and expectations. We are keen to build and strengthen a mutual, long-term and transparent relationship with all of our stakeholders.
## Stakeholders

### Society

Systembolaget’s operations shall be conducted in a socially, environmentally and ethically sustainable way. Alcoholic beverages are not just another product and we exist because alcohol-related problems are reduced if alcohol is sold with no effort to maximise profits. We take responsibility for our alcohol policy role through a range of alcohol-prevention partnerships and by providing information on the harmful effects of alcohol. Our annual alcohol research conference highlights the latest findings in the alcohol research sphere and the results are used when we inform people about the effect that alcohol has on health.

The Alcohol Index measurement is carried out once a year and provides a metric for Swedes’ attitudes towards alcohol. We also work continuously with control purchases carried out by independent companies. The control purchases are carried out by test subjects aged between 20 and 24 in order to ensure that we are complying with our selling rules.

### Customers

Systembolaget has a responsibility to ensure it provides a first rate service, a broad product range, and a high quality offering across the board. We work actively to counteract the negative effects of alcohol by offering our expertise in a way that makes it easier for our customers to make informed choices. All of our sales are conducted in a responsible way. TNS SIFO measures Swedes’ attitudes towards Systembolaget and our monopoly on the retail sale of alcoholic beverages, producing the Opinion Index (OPI). We also measure customer satisfaction continuously through the Customer Satisfaction Index (CSI) in order to improve and develop the service we provide, both in-store and at systembolaget.se.

### Employees

Highly trained, committed employees are vital to responsible selling and satisfied customers. The Employee Satisfaction survey, which is carried out annually, shows how employees rate their ability, given their working conditions to carry out their duties. Every employee has a personal development plan and our aim is to ensure continuous improvement in staff skill levels and ongoing skill development. Short periods of sick leave, which are one of our strategic key performance indicators, is monitored monthly. Our work is based at all times on our core values: considerate, knowledgeable and inspirational. We also work proactively with diversity, equality, working conditions and work environment issues.

### Suppliers

Systembolaget is a major purchasing player and we have done business with over 800 different drinks suppliers during the past year, giving us a unique opportunity to influence the drinks industry towards a sustainable approach. The drinks we sell shall be produced under conditions that are responsible in terms both of people and of the environment. The Quality Supplier Index (QSI) measurements are taken every quarter and show how our drinks suppliers help provide customer value. Systembolaget operates a brand-neutral approach to its purchasing and neither discriminates against nor favours any individual supplier.

### Owners

The alcohol policy-based mandate is the foundation of our very existence. We shall help limit the harmful effects of alcohol by selling alcoholic drinks responsibly. Sweden has a long-standing tradition of responsible alcohol policies and Systembolaget is an important tool in limiting the harmful effects of alcohol in society. Our operations are guided by the State’s Owner’s Directive, the agreement with the State, the Swedish Alcohol Act, and the EU’s legislative regulations. Our operations shall be conducted in a sustainable and economically efficient way with no attempt to maximise profits.
Systembolaget’s operations are based on a clearly defined social responsibility. We are involved in a number of preventative activities and partnerships, including our subsidiary company, IQ-initiativet, and a nationwide collaboration with the police in conjunction with our anti-bootlegging campaigns.

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The downsides of alcohol

Alcohol has direct consequences for health, even at moderate consumption levels. Systembolaget’s commitment to alcohol research supports our mandate to provide information on the risks associated with consuming alcoholic drinks. The information we provide must always have a scientific base.

Commitment to alcohol research

Our commitment shall help inform customers, decision makers and social representatives alike about the link between alcohol and ill health. We take part in and organise alcohol research conferences and continuously monitor international research that gives us access to the latest information. Systembolaget co-finances a research Chair at the University of Lund and since 1999, we have awarded a travel grant to young alcohol researchers working in the field of youth and alcohol.

Systembolaget’s Alcohol Research Council invests SEK 3 million every year in research and this amount will, in future, be increased to SEK 5 million per year.

Total consumption must be limited

Alcohol researchers worldwide have demonstrated that there is a clear link between the amount of alcohol consumed by a population and the scale of alcohol-related injuries and disease. The risk of suffering a problem is naturally less for those who drink less alcohol, but even moderate consumption can increase the risk of disease and injury. A large percentage of the harmful effects caused by alcohol can be found in the large group of people who over-consume alcohol without ever becoming alcohol abusers or alcoholics, which is why it is important to try and reduce consumption in all groups in society.

Amphora (Alcohol Measures for Public Health Research Alliance) has been commissioned by the EU to conduct an extensive and collaborative programme of research in the member states in order to provide decision makers with a knowledge base for alcohol-related issues. In a comparison between the member states, Amphora stated that those countries that have a stricter and more comprehensive alcohol policy generally have lower consumption levels.

1 Sully Lederman, The Total Consumption Model, http://www.can.se/sv/Tidskriften-Aon/Alkoholskador-ovantastabila/Totalkonsumtionsmodellen/
Systembolaget’s alcohol research conference

Alcohol researchers and representatives of stakeholder organisations and various authorities came together in May to take part in Systembolaget’s annual alcohol research conference. Systembolaget’s conference is a meeting place for dialogue on the latest alcohol-related research findings.

This year’s alcohol research conference included the presentation of a report on the link between alcohol and cancer, trends in youth drinking, and alcohol damage to third parties (such as domestic violence) and a lack of safety in public spaces. We will make use of the facts that emerge during the conference in the course of our operations and when we provide people with information on the ways in which alcohol affects health.

The high cost of alcohol to society

Alcohol misuse is estimated to cost society around SEK 66 billion per annum, according to the Swedish Government’s Special Commissioner, Gerhard Larsson. The expenditure on problems caused by alcohol far exceeds the tax income generated by sales of alcohol. Several thousand Swedes die every year from diseases or injuries related to alcohol consumption and approximately one fifth (20 per cent) of all patient admitted to A&E have alcohol problems. The corresponding figure in the mental health care sector is around 40 per cent.

Cancer risk increased, even by small amounts of alcohol

The link between alcohol and the risk of developing cancer is becoming increasingly established, but the mechanism is, to date, far from clear. Professor Dag Jenssen from the School of Genetics, Microbiology and Toxicology at the University of Stockholm, has successfully demonstrated that even small amounts of alcohol cause damage to our DNA – damage that can result in cancer. The results of the research being conducted by Dag Jenssen and is addressing the issue of what happens to our bodies when we drink wine with our meals every day. It has been suggested in a wide variety of contexts that this is “absolutely fine, health-wise”, but as the study shows, daily alcohol consumption is generally speaking not a good idea.

2 CAN, The Swedish Council for Information on Alcohol and Other Drugs.

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Magdalena Gerger, President of Systembolaget, at Systembolaget’s Alcohol Research Conference.

SEK 66 billion

The cost to society of alcohol misuse is estimated at SEK 66 billion per year.
Scrupulous proof of age checks

One of the cornerstones of Systembolaget’s operations is irrep... 25 and refuse to sell to anyone who cannot provide proof of age.

We commission an independent company that tasks young people with making control purchases in our stores, in order to monitor how we are doing in this respect. The measurements are carried out every month by test subjects aged between 20 and 24. A total of approximately attempted 5,700 control purchases were made during the year in our stores, with a further 600 or so made at our agents. The in-store target figure was 95 per cent of test subjects asked for proof of age. The actual figure achieved was 96 per cent. The corresponding figure for our agents during the year was 94 per cent.

Countering illicit supply

One of Systembolaget’s most important tasks is actively countering illicit supply. We collaborate with the local police in conjunction with our information campaigns, e.g. at the beginning and end of the school year. We also provide information in our stores and via our agents.

Teenage drinking levels have declined, and the CAN (The Swedish Council for Information on Alcohol and Other Drugs) survey on school students’ drug habits from 2013 shows that fewer than half (44 per cent) of boys and half (50 per cent) of girls in the ninth grade had drunk alcohol, which is the lowest figure ever recorded since measurements began in 1971.

But the survey also shows that almost 16.5 per cent of teenagers get alcohol from their parents. There are a number of studies showing that there is a clear link between parents’ attitudes and young people’s alcohol consumption. Teenagers who are offered alcohol by their parents run a higher risk of drinking heavily than teenagers whose parents do not offer them alcohol, according to research from the Karolinska Institute and elsewhere. This risk continues into adulthood.

This is the issue we addressed in our “It’s no big deal” campaign film in August. The film was shown on TV and in social media.

For the fourth year in succession, Systembolaget won the Best advertising film award in SF Media’s advertising impact awards. Our aim, through the film, which is entitled “Avdramatisera” (It’s no big deal), is to support parents in discussions about alcohol with their teenagers.

2 Anna-Karin Danielsson, doctoral thesis from the Karolinska Institute, investigating 1,200 Swedish teenagers’ alcohol habits between 2001 and 2006.
The IQ Inspirers...

... is the name we give to a collaboration between Systembolaget and our subsidiary company, IQ-initiativet, which became a permanent part of our operations in 2013 after being conducted on a trial basis in 2012. The Inspirers are Systembolaget employees who, over and above their regular duties, are tasked with meeting with a range of people in society at large and inspiring them to prevent alcohol-related problems. They work with local conditions to create networks and to provide inspiration with the aid of just over 1,000 IQ projects currently running. An IQ Inspirer can, for example, work in conjunction with a range of festivals and in collaboration with the police, schools, drug coordinators and various companies. We had 12 Inspirers during the year.

Birgitta Nilsson has, in her role as an IQ Inspirer, successfully persuaded the Ängelholm local authority to run a campaign aimed at restaurateurs called “Every other drink a water”. As an employee of Systembolaget, her contribution has included demonstrating alcohol-free alternatives.

“We have an incredibly important part to play as a link between Systembolaget and society.”

Birgitta Nilsson, Store manager in Råå, Helsingborg and the IQ Inspirers

The benefits of Systembolaget

We conducted a number of surveys on the subject of Systembolaget’s social responsibility in the spring, and it was clear that many people are unaware of the purpose of Systembolaget. One of our primary tasks in the years ahead will, therefore, be to explain and demonstrate the difference we make to public health, but also to boost people’s know-how when it comes to alcohol and the ways in which it affects their health, and thereby help ensure better informed consumption.
A smarter approach to alcohol

IQ-initiativet is our subsidiary company and it works to change people’s attitude to alcohol, building a smarter and healthier approach to alcohol. IQ-initiativet uses information campaigns to encourage reflection and to increase awareness of the risks associated with alcohol.

SEK 25 million
The amount invested by Systembolaget in its IQ-initiativet subsidiary in 2013. In 2014, this amount will be increased to SEK 30 million.

We launched a new website in conjunction with the “Tonårsparlören” (Teenage Phrasebook) re-launch in April.

“The Teenage Phrasebook” – a guide for teenagers’ parents

“Tonårsparlören” (The Teenage Phrasebook) offers parents facts, arguments and tips on how to talk about alcohol, amongst other things, with their teenagers. The guide was reworked and re-launched in April, when the book was sent to the home address of 93,285 parents with children born in 1999. Just over 200,000 copies of the book were also distributed in Systembolaget’s stores. 93 per cent of the parents who received the book had heard of or seen “Tonårsparlören”, and 62 per cent had discussed the book with their teenager. A survey of the impact of the campaign in the media showed that 92 per cent of respondents thought it was important that society provides information on issues involving teenagers and alcohol.
Campaign for young adults

Why is it so hard for other people to accept a “no” when the norm is that “everyone” drinks? One of IQ-initiativet’s long-term projects entails attempting to reach out to young adults with messages that encourage them to think about their alcohol consumption.

Alcohol Index – measuring Swedes’ attitudes to alcohol

The Alcohol Index is a combined measurement of Swedes’ attitudes to alcohol in different situations. The higher the index, the more moderate the attitude to alcohol. The Alcohol Index is presented by Systembolaget’s subsidiary, IQ-initiativet, and the survey on which it is based is carried out annually by an external company. The Alcohol Index is, as of 2013, a strategic key performance indicator for Systembolaget and at an overall level, has shown an increase from 62 to 66 between 2010 and 2013. The target figure for 2013 was 63.

Inspirational network for people who care passionately

The number of members of the IQ-initiativet’s network is steadily growing, and now also includes Systembolaget’s IQ-Inspirers. The network welcomes everyone who is actively involved in alcohol-prevention work and is attracting members nationwide. The aim of the network is to offer committed people the opportunity to swap good ideas, to offer a community in which to think about and discuss the issues, and to provide inspiration.

Evaluate your alcohol habits

100,000 people evaluate their alcohol habits using the online tool, “Alcohol profile”, every year. Users answer 14 questions and then receive a personal “alcohol profile” that shows them any risks they may be running.

New features introduced in 2013 include the suggestion that anyone taking the test who would like to know more or is worried about their alcohol profile talk to their doctor. IQ-initiativet published a report in late 2013, based on the over 500,000 Alcohol Profile tests that had been taken between 2009 and 2012. The figures showed, amongst other things, that one in every five people who take the test has a high-risk profile, and that young adults (aged 18-25) drink more heavily and have riskier drinking habits than older people.

100,000 people take an Alcohol Profile test every year to evaluate their drinking habits.
Ongoing focus on our environmental work

Systembolaget’s goal is to reduce our environmental footprint, not just through the measures we take in-house, but through measures that have an impact elsewhere in the value chain. Which is why we conduct our environmental work on several fronts.

An environmental audit was carried out in 2011 and addressed both Systembolaget’s direct impact on the climate as a result of its own operations, and the environmental impact of the products we sell. The audit confirmed that Systembolaget’s products have a considerable impact on the climate.

Our internal environmental work in 2013 has continued to focus on waste management and energy consumption, and on reducing the negative environmental impact of our drink packaging and transports. We will continue to focus backwards up the supplier chain in the years ahead, looking at transport, production and cultivation.

**Systembolaget’s total climate impact**

360,000 tonnes CO₂

The chart shows that packaging accounts for 32 per cent of our total climate impact, cultivation for 29 per cent, production for 19 per cent, transport for 18 per cent, and Systembolaget’s direct emissions for 2 per cent.

Source: Systembolaget’s environmental audit, 2011.

**Electricity consumption**

Systembolaget has a long tradition of working systematically to enhance its energy efficiency.

Electricity consumption by our “set to zero” stores fell by 8 kWh/m² in 2013 (find out more about this on page 58 of Part 2). The installation of LED lighting in more and more stores was amongst the measures taken during the year, and 2013 saw LED fittings installed in 25 stores during the year, resulting in LED lighting having been installed in 85 stores in total by the end of the year – corresponding to an annual saving of almost 619 MWh. A switch to LED lighting is planned for a further 30 stores in 2014.

Electricity consumption per m² guidelines have been drawn up during the year for a variety of store formats. Electricity metering is being installed in more and more stores and the goal is for all stores to have introduced metering by 2016.

The installation of energy-saving software in stores and offices has been completed during the year. 1,200 older computer components have been replaced by new, more energy-saving equipment – a measure that led to Systembolaget being nominated for the “Sustainability project of the year” at the 2013 CIO Awards. Our measures in 2013 resulted in the equivalent of a reduction in emissions of approximately 1,815 MWh.
Waste management

Systembolaget has reviewed and improved its management of waste products during the year in order to reduce the environmental impact from packaging and from our own operations. Our recycling services supplier has provided a brief training course for in-store personnel and the goal is for all stores to institute an efficient sorting-at-source system in which the majority of the waste products are sorted and optimally processed by 2020.

Measures to increase recycling and reduce littering

The packaging from Systembolaget’s products lives on, even once it has left our stores, and can either be a problem or a resource, depending on how it is managed. We are, therefore, keen to contribute to this stage of the chain as well and, to this end, Systembolaget has an ongoing collaboration with Returpack in order to increase the extent to which our packaging is recycled. The partnership with Returpack during the past year has focused on park-based projects designed to make it easier for park visitors to sort their waste when they leave the park.

Cutting packaging weight is a weighty matter

As the 2011 environmental audit shows, packaging is still the biggest single source of environmental impact, and Systembolaget is consequently working in a variety of ways to reduce the overall weight of its packaging.

Lifecycle analyses show that when it comes to the various different types of packaging we use, liquid packaging board, bags, returnable glass and aluminium cans have a lower environmental impact than single-use glass bottles. PET bottles come between single-use glass bottles and other types of packaging, including returnable glass bottles. The weight of the packaging is very significant in that it is the amount of material involved that is the key factor. Systembolaget’s mandate is to limit the harmful effects of alcohol in every respect and we are, therefore, working hard to ensure that we do not increase the number of large volume packagings.

By the end of year, the number of items in PET packaging in the range had risen to 40, and we consequently failed to achieve our goal for 2013 of 50.
Systembolaget stands for selling alcohol responsibly all over Sweden. And we are here for everyone in Sweden, not just for those who visit our stores. It is our responsibility to ensure we provide good service, a broad product range, and high quality goods. We are also tasked with helping to counter the negative effects of alcohol and we offer our expertise in order to help our customers make informed choices and to drink with moderation.

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Better and better for our customers

We have a responsibility to constantly develop and improve our service in line with customer and external expectations. For us, it’s all about providing a service, passing on our know-how, and selling responsibly in every customer interaction, and about doing it in such a way that customers’ confidence in Systembolaget remains high. Our customer interaction mantra describes this perfectly:

- You should always feel welcome
- You should always feel that you can learn something from us
- You should always be able to rely on us to sell responsibly

In a survey of just over 2,000 customers by ServiceScore in April 2013, Systembolaget was rated as Sweden’s Best Service Company and the Best Retail Company.

Increased know-how and informed choices

As a customer, you should always feel that you can come to us with any questions you may have about the products we sell. We are happy to share our expertise and the advice you receive will be impartial and brand-neutral. This means that we will never favour a particular product or supplier – our advice will be based entirely on what the customer is looking for and on our expertise when it comes to the drinks in question. It’s important to Systembolaget that we help our customers make informed choices and that we share our knowledge of how alcohol affects health.
Adapting the range to local demand

Our customers are becoming more and more knowledgeable about drinks. And it is customer demand, coupled with seasonal, festive and – not least – international trends, that provides the foundations for the way in which we structure our range.

The fundamental principles behind the range structure is that it should be of a high quality, have both breadth and depth, and that it should enhance the food and drink experience.

The range is planned and procured using our combined expertise when it comes to drinks from all over the world.

The starting point for our range management is that we must work transparently, objectively, and in a brand-neutral way that starts from customer demand.

We have spent the last two years working on improving our range and adapting it more quickly on an individual, store-to-store basis in line with customer demand, in order to improve the ways in which we meet customer requirements and demand.

This is why the range in the different stores has changed slightly – there may, for example, be more types of beer from which to choose, or more wines from a particular country of origin or in a particular price class in one store than in another.

The range in every individual store is continuously evaluated and updated, and new products are given shelf space, in order to ensure a rapid adaptation of the products the store carries in line with what the customers want. There are also, in addition to Systembolaget’s quality assured, tried and trusted fixed range, just over 13,000 products in the available-for-order range.

It should be easy for customers to search for and find the product they are looking for in any of our stores, and this is why we have changed the way we display our products.

We have made the change in response to customer surveys and to trial runs by customers and employees of the new product breakdown in two stores, where the consensus was that the change was for the better. We wanted our customers to find it easier to both search for and choose products when they shop at Systembolaget.

I usually buy wine and my local store carries a wide range. The new breakdown suits me better, because I mainly look for wine by its country of origin.”
A proactive interaction

According to our customers, we are doing a good job and doing it responsibly, and their appreciation for what we do is growing more and more. Our Customer Satisfaction Index (CSI) survey, which is conducted by the CFI Group and which involves just over 32,000 interviews every year, tells us what is important to our customers and how well we are living up to their expectations.

The CSI survey shows that customers are increasingly appreciative of Systembolaget, that they feel welcome, that our service has, in their eyes, improved, and that they are more satisfied with our range than ever before. Two of the key factors behind the overall result are proactivity and interaction. Previous surveys have shown us how important the interaction is and we have worked very hard to increase accessibility in our stores and to be prepared, in terms of know-how, when a customer needs help. The most recent survey shows that the percentage of customers who feel they had a good interaction with our store personnel has risen from 22 per cent to 49 per cent in just a few years, which is a major reason why the latest CSI results have reached record levels. Previous CSI surveys showed that our youngest customers – those aged between 20 and 29 – were slightly less satisfied, which is why the past year has seen us launch a programme aimed at improving the interaction with these customers. We must be proactive in the interaction, contribute our expertise when they are choosing a product, and be more considerate in the context of proof of age checks. We are delighted to see that our hard work in this respect has yielded results in this year’s survey and for more information about the results, see page 42 in Part 2.
Laying the foundations for future improvements

The CSI survey shows that our range and offering are an area where there is considerable potential for increasing customer satisfaction levels. Customers’ expectations of Systembolaget increase as their interest in and knowledge of the drinks we sell increases. Customers’ ratings of our range have remained unchanged for several years now and we have consequently changed the way we manage our range in the past year in order to improve the extent to which we meet our customers’ expectations, and we will continue, in future, to work to improve our customer interaction and develop our range towards greater sustainability.

The graph shows the CSI trend over a ten-year period. Self-service and our focus on the interaction with the customer in-store have helped bring about the rising trend.

The upturn during the initial years of the graph period was largely due to the development of Systembolaget into a modern retailer. Rebuilds and the launch of new, self-service stores were appreciated by the customers who felt that it was easier to see what we stocked and that queuing times at checkouts had been cut.

A successive transition to self-service also generated greater scope for the staff to work with the customers in a more customer-focused and proactive way. The other biggest factor in the continued upturn in subsequent years was our work on the interaction with the customer in-store – offering high quality service in the form of knowledgeable personnel who are both willing and able to help when choosing a drink to go with a meal, for example.

Systembolaget’s customers have never been more satisfied and the CSI figure for 2013 rose by one point to a new record high of 82. The areas which have the biggest impact on the CSI trend all improved in 2013, with Range and offering increasing by one point, Perception of Systembolaget and Systembolaget’s social responsibility both increasing by two points, and In-store employees increasing by one point to a new record level.
More meeting places, more opportunities

Customers nowadays expect to be able to interact with Systembolaget, even outside of the stores’ or Customer Service Department’s opening hours, e.g. by ordering and paying for items via digital channels. And because Systembolaget has a sole right on retail sales of alcohol, it’s important that our offering reflects customers’ requirements and expectations.

Systembolaget has 426 stores all over Sweden, and in 2013, there were 120 million separate customer interactions. Virtually all of the stores offer self-service, but all of the stores shall live up to our customers’ expectations in the best possible way, and shall house Systembolaget’s offering in a customised way.

We also have a variety of specialist stores, such as our wine cellar stores – one each in Stockholm, Gothenburg and Malmö – and the two Food Hall stores in Stockholm. Our store network is constantly under development and the past year saw us establish stores in Knivsta, Idre, Hemavan, Borlänge, Malmö and Stockholm. There are currently around 500 Systembolaget agents, which is a slight fall in the number from last year.

Drinks auctions
Systembolaget organises drinks auctions in partnership with Stockholms Auktionsverk, enabling everyone in Sweden to buy and sell valuable drinks as collector’s items. We have been arranging drinks auctions since 2004 and they are now held online. Eight drinks auctions, each lasting three days, were held in 2013 at which approximately 4,100 items changed hands.

Tasting sessions inspire and educate about food and drink
Our in-store tasting sessions are popular, and 11,000 customers have taken part in approximately 650 tasting sessions in 23 stores after hours during the year. Our tasting session package, available from systembolaget.se, also enables customers to learn more about drink by organising their own tasting sessions at home.
Advice from Systembolaget’s Customer Service Department

Systembolaget also has, in addition to our knowledgeable in-store staff, a Customer Service Department that offers free, professional advice. The Customer Service Department staff conduct dialogues with customers, stores and agents on a daily basis by phone, email, Facebook and Twitter. Over the past year, the Customer Service department answered 36,000 emails and 80,000 telephone calls.

A multi-stage customer interaction

Our customers are increasingly using Systembolaget’s digital channels, primarily as preparation for a visit to an actual store. In 2013, systembolaget.se had approximately 24 million visits, corresponding to a year-on-year increase of 3 million.

It’s also becoming increasingly common for people to visit us via their mobile phones, and in 2013, visits via mobiles and tablets accounted for 40 per cent of all visits. The corresponding figure in 2012 was 26 per cent. We are currently in the process of developing a new website that will offer the same level of functionality, whether customers are using a desktop, tablet or mobile phone, in order to keep pace with this trend.

Search and find with the app

Our Search & Find app is becoming increasingly popular and has been downloaded over 1.2 million times since 2011. In 2013, the app was upgraded with functions that allow users to search a specific store’s range and to locate the closest stores that have the product in stock.

Dialogue on the customers’ terms

Systembolaget has increased its social media presence in order to improve the way in which we interact with the customers in the channels and on the occasions that they prefer. Our Facebook page has over 45,000 “Likes” and our Twitter account has over 3,500 followers. The Twitter-based advisory service, which was launched in 2012, gives our customers a direct channel to our expert in-store personnel who engage in a dialogue with the customers and are able, based on the customers’ requirements, to guide the customers, enabling them to make informed choices from our range – wherever the customer may be.
Service, expertise & responsibility

Alcohol consumption has fallen in recent years at the same time as Systembolaget has improved the service it provides. These improvements include the transition to self-service and Saturday opening, both of which changes were preceded by trial periods. We do not anticipate that home deliveries will increase consumption: what we have noticed is a change in customers’ buying patterns such that they sometimes prefer to buy via systembolaget.se, rather than visiting a physical store.

When we improve our service, we always weigh up the potential improvement against the risk of increased consumption, and monitor the reports by CAN (The Swedish Council for Information on Alcohol and Other Drugs) carefully. These reports were formerly provided by SoRAD (the Centre for Social Research on Alcohol and Drugs), but since 1 July, they have been produced by CAN. The graph shows total alcohol consumption and the source from which the alcohol was acquired, including Systembolaget’s share (other sources include private imports by travellers, restaurants, etc.). These reports show a downwards trend when it comes to overall consumption. Consumption of alcohol acquired from Systembolaget has increased slightly, while consumption of privately imported alcohol has declined. Alcohol consumption in Sweden reached a peak in 2004 as a result of the drastic changes in import quotas within the EU introduced in that year. This type of consumption has, however, according to CAN, declined since then. Calculated as consumption of pure alcohol, every Swede over the age of 15 consumed a total of 9.2 litres in 2012. CAN has not, as of the publication date, published any consumption figures for 2013.

Alcohol consumption, 1994–2012
(litres of 100 per cent pure alcohol per head of population age 15 and above)

Online ordering and home deliveries – a timely service

A home delivery trial was launched in the autumn of 2012 as part of our efforts to keep up with changes in customers’ buying patterns. The service is available in, amongst others, the following places: Stockholm, Västerbotten, Västernorrland, and Skåne counties, and in Gothenburg, Borås and Uppsala.

The products are delivered by specially trained and certified transport personnel, in order to ensure compliance with our selling rules. We are evaluating customers’ opinions of the service and independent alcohol researchers are studying whether Systembolaget’s home deliveries affect total alcohol consumption. To date, no such effect has been reported. A decision will be made on whether to make a home delivery option part of Systembolaget’s standard service offering once this evaluation work is complete.
High expectations and real confidence

The last few years have seen Systembolaget working purposefully to improve the customer interaction with regard both to service and expertise, and to responsibility. We can see from the customer surveys we carry out, that our social responsibility also gives rise to a higher sense of expectation on the part of our customers.

The customers want us to do even more to demonstrate the benefits that we bring in terms of public health. One of our most important tasks involves preventing young people under the age of 20 from gaining access to alcohol. To this end, and with the aid of independent companies, we conduct continuous control purchases, and during the last year, approximately 5,700 such control purchases were made in our stores and approximately 600 from our agents. We also counteract illicit supply through our information campaigns and during the personal interaction in stores or with agents.

Strong support for Systembolaget

The Opinion Index is one of our strategic key performance indicators and is measured every month by the TNS Sifo survey organisation. A representative selection of the population is asked, “Do you think that Systembolaget and the monopoly on the sale of strong beer, wine and spirits should be retained, or would you like strong beer, wine and spirits to be sold in other stores?”

Support for the monopoly is strong and seven out of every ten Swedes would like to see Systembolaget’s monopoly retained. The main reasons for the support are that people think it is important that sales are controlled, that alcohol is sold responsibly, and that young people are protected by means of restricted availability. Fewer than one in four Swedes would like to see the monopoly abolished. Some are critical of monopolies in general, while others, for reasons of convenience, would like to see increased availability and hence think that grocery retail stores should be allowed to sell alcohol.

72% support Systembolaget

The strong support for our monopoly shows that we are working on the right lines.
Alcohol-free increasingly popular

Our aim, by providing an alcohol-free range, is to help people make more informed choices and to offer high quality, alcohol-free drinks with an adult taste as a clear alternative to our alcoholic drinks. The alcohol-free range includes everything from alcohol-free beer to a variety of unfermented drinks that are excellent alternatives to red or white wine.

In 2013, we sold just over 2 million litres of alcohol-free products, corresponding to a year-on-year increase in sales of 9.5 per cent.

Sales of alcohol-free products have continued to increase but are now increasing slightly more slowly, due to the fact that the number of products has not been increased, but sales by volume have.

The increase is due to the continued strength of society’s health trend, coupled with the fact that many people see alcohol-free alternatives as important and the constant improvement in the range, which now includes approximately 48 alcohol-free products.

What does alcohol-free mean?

When we say, alcohol-free, we mean drinks with an alcohol content of between 0.0 and 0.5 per cent. The relevant market legislation for foodstuffs states that the alcohol content of a product must be displayed on its label if it exceeds 1.2 per cent, but Systembolaget has set its own lower limit – a product’s alcohol content may not exceed 0.5 per cent if we are to classify it as alcohol-free. Our requirements are, in other words, stricter than those required by law. 0.5 per cent is regarded as negligible for drivers, for example, or for those who want a healthy lifestyle. The reason that we sell drinks that contain up to 0.5 per cent alcohol is that alcohol is a flavour carrier and that even a very small amount of alcohol intensifies the flavour. This is why we did not set an across the board limit of 0.0 per cent.

Information for customers means more informed choices

We identify organically cultivated, eco-labelled and Fair Trade products for our customers by means of an additional dark green, light green or lilac label, respectively, on the edge of the shelf where they are displayed. Organically cultivated and Fair Trade products are identified on systembolaget.se and the Search & Find app by means of a green and a lilac symbol, respectively.

1 We recommend 0.0 per cent alcohol for pregnant women as it is impossible to set a lower limit at which there is no effect on the foetus. Source: Sven Wåhlin, Consultant Physician, Stockholm Addiction Centre; Ihsan Sarman, Consultant Physician, Neonatology Section Director, Sachs' Children and Youth Hospital.
Sustainability focus products

Systembolaget’s goal is to increase the number of organic and Fair Trade certified products whose packaging has a reduced environmental impact.

We launched 27 organic products in 2013, which is more than in 2012, and by the end of the year, we carried a total of 134 organic items in comparison with 130 at the end of 2012, and consequently failed to achieve our target figure of 145 organic products. 15 new items were launched in the Fair Trade range during the year, while others were removed from the range, and by the end of the year, therefore, the range included 32 Fair Trade products. The target figure was 30.

- Organically cultivated
- Fair Trade
- Eco-labelled

We use these three supplementary messages in addition to the regular information we provide in order to make it easier for our customers to find them in stores. The product must, amongst other things, in order to be labelled in this way, be certified by a third party. Find out more about the requirements in the in-depth GRI report on page 61 in Part 2.
Systembolaget is here for everyone in Sweden and we make a difference. Our customer promise summarises this. Our customer promise exists to ensure we live up to what we promise, and work on the various aspects of the customer promise is an important component of Systembolaget’s strategic plan. If we are to keep our promise to our customers, we must ensure our employees have the tools they need to do the job, namely relevant training, a good working environment, and a coaching leadership style that encourages development and personal responsibility.
How do we impress our customers?

Our vision is of a society in which alcoholic drinks are enjoyed with due regard to health considerations so that no one is harmed. We are here for everyone in Sweden and since 2010, we have been implementing an intensive programme of work designed to develop our customer interaction across all channels.

In 2013, we have continued our work on what we refer to internally as the Good Customer Interaction and Good Management programmes, and our focus during the year was on creating an impressive customer interaction. Our recipe for success has entailed continuing with our efforts to create good performance environments for our managers and employees alike. The basis for this work is Systembolaget’s customer promise: you should always feel welcome, you should always feel that you can learn something from us, and you should always be able to rely on us to sell responsibly. This promise shall guide us in our work and shall help steer us along the right lines in every decision we take.

Our entire range of operations and the way we relate to our work, our responsibility and our customers shall, at the same time, be permeated by our core values: considerate, knowledgeable and inspirational.

Which is why we will, in future, be focusing even more strongly on methodology, leadership and collaboration, in order to ensure that we succeed in achieving our goals.

Ongoing focus on managerial development

We have elected to focus on management and leadership as a means of developing an impressive customer interaction. Achieving our goal demands managers with the right skills and level of commitment. “Good Management” shall be characterised by passion and personal responsibility and to this end, we have continued to work with the “Good Management” programme in our day-to-day operations in 2013, using it as a tool that will enable us to realise our vision and to keep our customer promise.

Our managers shall be the best they can in order to enable our employees to be the best they can. At Systembolaget, management is a profession, so we want our managers to be really good at what they do. 2013 has also seen a focus on Good Management in all of our managerial development activities, and we will continue with this in 2014 at the same time as we develop new skill enhancing activities. Good Management is an integral part of our everyday reality.
Shared methodology that promotes collaboration and operational development

Changes in customer behaviour and ever faster changes in the outside world demand effective collaboration within Systembolaget. Clear processes that show what we do not only increase our collaboration, but also make it easier to focus on the customer. They also increase both job satisfaction and efficiency into the bargain! Process management gives us more clearly defined roles and mandates that will bring about continuous improvement in our shared methodologies, whether on a grand or a small scale, and will ensure our processes are more clearly described.

Our values

Everything we do in our work is permeated by our values:

- **Considerate.** Our genuine commitment shows that we care. We show respect for and are sensitive to our customers and one another.
- **Knowledgeable.** Our expertise comprises our products, their use and their associated risks. We are generous in sharing our expertise and thereby generate the preconditions that enable our customers to make informed choices.
- **Inspirational.** We draw our inspiration from our mandate. We are innovative, proactive and committed, and this inspires those around us.

Ongoing skill development for our employees

We take a continuous and long-term approach to skill development. Skill development is a prerequisite of our ability to realise our vision and live up to our mandate. As part of our annual performance reviews with the staff, we ensure that every employee has a development plan that is followed up on by their respective managers, both on a rolling basis in the daily dialogue with the employee throughout the year and during specific performance review sessions.

The most important skills that we have identified in 2013 when it comes to ensuring the success of the customer interaction are: curiosity, continuous improvement, personal leadership, service and being a good host. Every employee, throughout the company, has the same focus for their work – ensuring an impressive customer interaction.
Tools that develop our operations and our employees alike

A managerial tool designed to develop good performance and continuous improvement was implemented in 2012. The tool is based on a development process whose strength lies in the fact that it breaks down our overall goals into actual improvement processes. The tool constitutes more of an operational support tool, but also includes a new system support component for all managers. Dialogues are used to create a sense of participation and involvement and the process also has positive effects on health and the work environment.

Employee satisfaction survey results

A good performance by the company and a strong brand demand first class performances by every single employee. The results of the 2013 employee satisfaction survey (ESI) show that our employees generally feel that they have the tools they need to perform, and that they are proud of working for the organisation. Their need to belong, to contribute, to be confirmed and to develop are well met within their working situation and this is reflected in the fact that the employees feel that their efforts at work make a contribution to the operations as a whole. Perceptions of the potential for development do, however, differ across the organisation. Scope for improvement still exists with regard to one of the five performance criteria investigated, namely the employees’ perception that they have authority and the confidence of the organisation. The perception that they have insufficient authority and that the organisation has insufficient confidence in them is sufficiently widespread that it can only be regarded as a barrier to performing well in a work context. And although the results show that the employees’ perception is that the group’s efficiency has improved in relation to the previous year, there is still plenty of potential for developing the collaboration within the company. The results have, generally speaking, improved year-on-year and correlate with the Employee Index target figure of 79.

Performance reviews

Our goal is for all Systembolaget employees to have annual performance reviews in which we follow up on and evaluate our collective skills and individual goals. The prioritised skills are those that support us in achieving our goal – an impressive customer interaction. The results of the employee satisfaction survey (ESI) show that 81 per cent of Systembolaget’s employees have had performance reviews during the past twelve-month period. For 2014, we have focused heavily on processes, templates and follow-up work.

Systembolaget was named Workplace of the Year in 2013 by the “Hälsa” (Health) magazine and was the recipient of their Gold Apple award. The winner is chosen by the magazine in partnership with Previa, a corporate health care sector company.

Award
Workplace of the Year, 2013!
**Ethics – our everyday compass**

Systembolaget’s mandate and our monopoly on retail sales of strong beer, wine and spirits demands a great deal of us in terms both of our ethics and of the way we conduct ourselves on a day-to-day basis. Which means that working to prevent improprieties and corruption is a given. It is also just as much of a given that our responsibility covers everyone in our country as it is that all suppliers should be treated equally.

All new recruits to Systembolaget receive information on the rules governing external contacts and must sign a statement that they have been familiarized with the rules. Ethical issues are also followed up in the annual employee performance reviews. In short, our internal rules state that no one supplier shall be given precedence over another. The rules also include regulations governing acceptance of gifts.

**Ethics Advisor**

For a number of years now, Systembolaget has had an internal Ethics Advisor who is also represented on our Sustainability Council. You can find out more about the Sustainability Council on page 47 of Part 2 of this report. The Advisor enjoys a high level of confidence within the company and gives advice in response to questions from employees in connection with ethical dilemmas and any deviations from the company’s guidelines.

**Dialogues – managers and employees**

Systembolaget has zero tolerance for corruption. The ethics dialogues are important in keeping alive the debate on how we can achieve our mandate, from an ethical perspective. Systembolaget’s mandate is a complex one and we have found that it is important, if we are to build a good value climate within the company, that colleagues discuss their respective interpretations of rules and of the difficulties they face. All managers must hold twice yearly ethics dialogues with the managers who report to them. These managers, in turn, hold ethics dialogues with their respective employee groups. This approach is in line with the company’s new steering document in the field – and part of the overall aim of ensuring an impressive customer interaction.

**Equal opportunities plan approved**

Systembolaget has focused on ethical issues in the field of inequality and corruption for a number of years now. New, topical issues are raised and discussed every six months. In 2013, we have incorporated the business ethics dialogue in the preparation for employees undertaking field trips to producers in other countries.

We have also progressed our ethics work during the year: the Board of Directors has approved an equal opportunities plan and the company management has adopted two new rules. The first of these rules relates to equal treatment and the second to ways in which we can counteract harassment and discrimination. Both of these rules are based on applicable legislation in relation to discrimination.

**The dialogues are important in keeping alive the debate on how we can achieve our mandate.**
Ongoing focus on health

Systembolaget exists to protect and promote public health, but our consideration does not stop with the sale of alcohol. We are also keen to promote an increased awareness of how alcohol affects health and to give our employees the knowledge and tools they need to make healthy choices. The health strategy approved and implemented in 2012 has reinforced our internal health-related work.

New tools to combat stress

The annual work environment days for managers and work environment representatives were held at the beginning of the year and covered two themes: alcohol and health, and stress. The aim was twofold: to inform and prepare the participants such that they were able to implement the health strategy activities, and to pass on new tools to combat stress. The health strategy activities focus strongly on alcohol and health, the harmful effects of alcohol, and what risky and abusive levels of consumption actually mean.

Measures to prevent ill health

A new health survey was distributed to half of Systembolaget’s employees during the autumn (the remaining half will be offered the chance to complete the survey in 2014). The survey, which is voluntary, gives employees the opportunity to reflect on their health and the ways in which work affects health. We then offer, on the basis of the results, a range of customised and ongoing health-related activities. The response frequency was 74 per cent, which is a very good result for a voluntary survey. We also, in addition to the new health strategy (which applies to customers and employees alike) regard our entire programme of managerial and employee development as part of our health work.

Key performance ratios, employees

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees(^1)</td>
<td>5,087</td>
<td>5,032</td>
</tr>
<tr>
<td><strong>Sales personnel</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women, %</td>
<td>66</td>
<td>68</td>
</tr>
<tr>
<td>Men, %</td>
<td>34</td>
<td>32</td>
</tr>
<tr>
<td><strong>Store managers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women, %</td>
<td>56</td>
<td>55</td>
</tr>
<tr>
<td>Men, %</td>
<td>44</td>
<td>45</td>
</tr>
<tr>
<td>Staff turnover, %</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td><strong>Sick leave</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term(^2), %</td>
<td>2.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Long-term(^3), %</td>
<td>5.4</td>
<td>5.3</td>
</tr>
</tbody>
</table>

1 Refers to all Systembolaget employees, as of 31 December.
2 All sick leave lasting between 1 and 14 days.
3 All sick leave lasting 15 days or more.
The short-term sick leave within Systembolaget has fallen, year-on-year, by 0.3 percentage points to a short-term sick leave rate of 2.1 per cent (the target figure is 2.3 per cent). The total sick leave rate has increased from 5.3 per cent to 5.4 per cent during the same period due to an increase in long-term sick leave. Systembolaget has a rehabilitation routine that describes what managers should do during different phases of an employee’s absence due to sickness. Over the past year, the store managers have further familiarised themselves with the rehabilitation routine and have held dialogues in relation to a number of different rehabilitation cases. The aim was partly to increase their knowledge of rehabilitation and partly to allow them to exchange experiences. 2013 also saw all of the area managers, together with a rehabilitation coordinator from the company health care scheme, review ongoing rehabilitation cases that have exceeded 28 days with the aim of ensuring an active programme of rehabilitation while simultaneously providing support and advice for the managers in the context of the ongoing work in this area.

In 2014, Systembolaget will shift to a system of setting targets for total absence due to sickness, including long-term sick leave. We will focus on all types of sick leave, not just the short-term sick leave.

In the years ahead, we will continue to focus on the rehabilitation work in parallel with our measures and activities aimed at promoting health and preventing ill health.

Rehabilitation routines in connection with long-term sick leave

The short-term sick leave within Systembolaget has fallen, year-on-year, by 0.3 percentage points to a short-term sick leave rate of 2.1 per cent (the target figure is 2.3 per cent).
The drinks that we sell must live up to our customers’ demands in terms of quality, product range, value for money and responsibility. Our globally sourced product range is chosen on the basis of product analyses and customer surveys, and ultimately, it is taste and quality that decide. The drinks must also be produced under conditions of responsibility for both people and the environment and we work closely with our drinks suppliers in order to achieve our goals. Together, we create the conditions for an optimum customer offering.
A sustainable supplier chain

Since 2008, we have been working with the other Nordic alcohol monopolies to achieve our goal of a sustainable drinks supplier chain. We have a Code of Conduct that has been incorporated into purchasing agreements with our suppliers since 2012. The suppliers undertake, as part of the agreement with Systembolaget, to pass our sustainability requirements on down to their producers at every stage of the supply chain.

Systembolaget’s purchasing includes everything from gift-wraps to the tools of the trade, from construction contracts to external services. The Code of Conduct is incorporated into the majority of these purchasing agreements.

The Code of Conduct and its associated monitoring system was drawn up by the BSCI, Business Social Compliance Initiative, organisation, of which Systembolaget is a member. The Code is based on international conventions and agreements on human rights and working conditions and constitutes an undertaking to conduct operations in an ethical and responsible way.

We also monitor compliance with the Code of Conduct by means of drinks producer audits. We plan the audits we will carry out for each year on the basis of a risk analysis, and between 2013 and 2014, the producers who collectively account for two thirds of sales from identified high-risk countries will, as part of our BSCI undertaking, be audited.

From cultivation to bottle

The drinks that Systembolaget offers shall live up to our customers’ demands in terms of quality, product range, and value for money. But it is equally important that they are produced under responsible conditions in terms both of people and the environment.

Systembolaget currently works with approximately 800 Swedish drinks suppliers who, in turn, work with a wide range of producers all over the world.

A launch plan is drawn up for the coming year on the basis of customers’ requirements, overall strategies and goals, and is made available to all suppliers. A request for tender is issued ahead of every launch, specifying in detail the drinks for which we are looking. We then, on the basis of the suppliers’ tenders, request product samples that undergo blind testing and are quality assessed for compliance with the specification. A request for tender can lead to over 100 drinks being sampled and the products that do best in the testing are then bought in for launch. Chemical and sensoric tests are also carried out by a testing panel in our laboratory in order that our suppliers can be confident that the winning product is the one that ends up on our shelves.
How the audits are carried out

A preparatory meeting with the Swedish supplier is held ahead of the audit, at which the purchaser responsible goes through what the audit will entail. The supplier is then asked to help the producer who will be audited to complete a self-assessment form. It is sometimes clear, even at this early stage in the proceedings, that action is needed and will result in immediate improvements.

The audit process involves three stages: document reviews (policy documents, payroll lists, etc.), private interviews with randomly selected employees, and an inspection of the plant. The audit ends with the inspector presenting his or her observations and the drawing up of an action plan to rectify any points of deviation from the Code of Conduct. A new audit is then carried out within twelve months, based on this action plan, to ensure that the measures have been implemented.

Deviations from Systembolaget’s Code of Conduct were identified during all of the audits carried out in 2013. These included too much overtime per week, too many consecutive working days without a break, basic salaries below the statutory minimum wage, sub-standard housing for workers, a lack of policies and routines in accordance with BSCI requirements, and deficient two-way communication between employers and employees. We will carry out a follow-up audit of each of the producers to ensure that the action plan has been implemented. Many of the problem areas arise during the harvest season, and the audits will, therefore, be carried out at this time.

Many producers are audited every year in line with a number of different codes of conducts and the feedback we have received indicates that follow-ups in line with the BSCI code are more rigorous than others. There are critics who state that the BSCI Code of Conduct fails to take sufficient account of the workers’ perspective. We are aware that structured relationships between employers and employees, e.g. that the employees are organised in trade unions and have regular meetings with the employer, pose a substantial challenge in many countries and we are investigating whether there are other ways of working with these issues, over and above the requirements laid down in the Code of Conduct. We hold an annual stakeholder dialogue in one of the producer countries within the framework provided by the Nordic collaboration, and BSCI also holds stakeholder dialogues and round table discussions.

The BSCI follow-up system used by both Systembolaget and the Finnish monopoly, Alko, will be evaluated in 2014, as will the follow-up system used by the Norwegian Vinmonopolet. The aim is to determine which tools and follow-up systems are most effective.

“I think it’s great that Systembolaget has initiated a common Code of Conduct, and that they make demands of us as suppliers – and that we, in turn, are responsible for ensuring compliance with the Code.”

Björn Wittmark, Product Manager and owner, Giertz Vinimport AB
Vital commitment by suppliers and producers

Systembolaget has been working to improve working conditions and human rights in the drinks supplier chain since 2012. One important factor in the success of our work is the training we provide and the ongoing dialogues we hold with our suppliers. We are also investigating the possibility of working in partnership with trade union organisations in this area.

Monitoring compliance with Code of Conduct in the drinks supplier chain is complicated by the fact that Systembolaget buys through suppliers, not directly from producers. It is hence the suppliers, not Systembolaget, who have contracts and business relationships with the producers. The commitment on the part of our suppliers to personally promoting sustainability work in relation to the producers is, therefore, an important factor for success in our work with human rights and working conditions in the drinks supplier chain. In order to increase this commitment on the part of the suppliers, we offer training and engage in ongoing dialogues with them.

BSCI conducts round table discussions in producer countries and provides training for the producers, and in 2013, BSCI held two capacity-boosting training courses for producers in each of the following countries: South Africa, Chile and Argentina. The aim is to help the companies comply with the Code of Conduct and to enhance their expertise in these issues. One of the courses related to a management system for social issues while the other addressed health and safety in the workplace. Training courses focusing on the new Code of Conduct will be held in 2014.

Systembolaget has been working to improve working conditions and human rights in the drinks supplier chain since 2012. One important factor in the success of our work is the training we provide and the ongoing dialogues we hold with our suppliers. We are also investigating the possibility of working in partnership with trade union organisations in this area.

Updated Code of Conduct

BSCI has, as the outside world changes around us, identified a need to update its Code of Conduct. The work, which began in 2012, has resulted in the adoption by BSCI of an updated Code of Conduct, which came into force in January 2014. The first stricter audit based on the new Code of Conduct will take place on 1 January 2015. Systembolaget has begun work on the implementation of the new Code of Conduct in its business relationships and is confidently looking forward to working with a more modern and updated version of the Code, which is better attuned to the demands that our customers make of both us and other Swedish companies.

Systembolaget has, within the framework of its involvement with BSCI, participated in the efforts to strengthen BSCI’s role in the environmental sphere. Our participation has, amongst other things, taken the form of supporting BSCI’s work on drafting proposals for the sort of requirements that members could conceivably make of their suppliers.
The Code of Conduct is not the be all and end all

A Code of Conduct, and monitoring to ensure compliance with the Code by producers, are both important tools for bringing about positive changes in the drinks supplier chain. But they are not a complete solution, which is why we have investigated the possibility of working in partnership with trade union organisations in high-risk countries during the past year. We have also, in one case of conflict between a producer and employees, encouraged the producer to engage in dialogue with the employees’ representatives.

Swedwatch1 has conducted a review, during the past year, of Systembolaget’s sustainability work. The focus was on how well Systembolaget monitors compliance with its Code of Conduct and resulted, in December, in the production of a report. Swedwatch believes, according to the report, that Systembolaget is engaged in extensive sustainability work and that it is a model of transparency and views such transparency in a positive light. The report contains seven recommendations for Systembolaget, including the suggestion that Systembolaget increases the extent to which it incorporates sustainability issues into the purchasing process, that it increase its contacts with local trade union and stakeholder organisations, and that it improves the way in which it communicates information about the sustainable product range to its customers. All of these areas where there is scope for improvement had already been identified by Systembolaget and several of the suggestions had already been included in our action plans. Overall, the review supported both our work and our commitment – proof that we are on the right track.

1 Swedwatch is an organisation that reviews Swedish companies operating in developing countries.

“A Code of Conduct, and monitoring compliance with that Code, are important tools for bringing about positive changes in the drinks supplier chain.”
A product range based on our social responsibility

Systembolaget’s range comprises products from all over the world and the selection is determined in response to customer surveys and product analyses. Ultimately, it is the quality and the taste that determines the products that we offer our customers.

Every year, we draw up the product range strategy that forms the basis of Systembolaget’s launch plan in which, amongst other things, we break the purchasing policy down adopted by the Board to a yearly level. We set target figures in order to achieve the fundamental objectives of our product range. The range must be unique in terms of both breadth and depth, and shall be adapted in line with customer demand. It shall also include items that enable customers to make more informed choices.

Systembolaget works to ensure that its product range contributes not only to environmental improvements, but to improved working conditions for workers in the drinks production chain.

A launch plan includes advance announcements of the products that will be launched within the fixed range in the coming year. The plan is available to all registered suppliers. Systembolaget then specifies its requirements in the requests for tender published on our supplier portal. The products that correspond to the style requested and which are of the highest quality are then determined in blind testing, and bought in for launch.

We received 16,889 tenders from 510 suppliers during the year in comparison with 2012, when we received 16,096 tenders from 457 suppliers.
In 2013, we implemented a new product range management system which, amongst other things, enables the range carried in our stores to be adapted more quickly in line with customer demand. Systembolaget’s individual product items, which were previously evaluated twice yearly, are now evaluated four times a year in accordance with a set model. The results of these evaluations form the basis for the distribution of the individual items, with greater customer demand resulting in the product being carried in more stores. This new management model means that we carry out two separate calculations which group the stores by different customer requirements. We also take market coverage into account, so that an article that is in high demand in a few stores receives a greater distribution in stores with similar demand patterns. Products in the available-for-order range undergo the same evaluation as those in the fixed range, making it easier for them to gain shelf space in the stores. 318 products from the available-for-order range have been included in the fixed range during the year. The corresponding figure in 2012 was 112.

Making a difference to people and the environment

Sustainability issues are becoming an increasingly natural part of both society at large and Systembolaget’s operations. Our customers expect a product range that affords scope to both environmental and social issues and we are consequently developing our offering with a focus on customer-orientation and social benefit. We get involved and we take responsibility. Sustainability is being increasingly integrated into our day-to-day operations and our ambition is to act as a driving force in the march towards a sustainable drinks industry in which we also take responsibility backwards up the supplier chain.

We aim to work with our product range in a way that genuinely makes a difference for people and the environment. We are working purposefully to develop and expand our organic, Fair Trade and alcohol-free ranges and to help our customers make informed drinks choices in every channel in which we operate. Our ambition is for sales of organic products to comprise 10 per cent of total sales by 2020. The corresponding figure for eco-friendly packaging, such as PET, lightweight glass and corrugated cardboard, is 80 per cent. Our aim is to reduce packaging weight across the board and we would like to see PET account for 3 per cent of sales as early as 2014. We are also aiming high when it comes to the Fair Trade range and our aim is for at least 75 items with a 20 per cent share of sales to originate from Fair Trade producers by 2020.
Supplier-Producer cooperation

Good cooperation with our suppliers is vital to our ability to supply and develop a product range that lives up to our customers’ expectations.

Meetings with suppliers, trade fairs and visits to producers worldwide are all important elements of the day-to-day work of our purchasing staff and category managers.

As of 2012, Systembolaget publishes supplier-specific key performance indicators. All suppliers can now track their performance trends in general and, in particular, the variables that are most critical in terms of customer benefit, namely product availability, monitoring of lead times, and quality and packaging returns. A new strategic key performance indicator, the Quality Supplier Index (QSI), was developed at the end of 2012. It summarises the 100 biggest suppliers’ performances and provides source data for both Systembolaget’s and the suppliers’ routines. QSI has fallen slightly in 2013 and Systembolaget is keen, through proactivity and increased communication clarity, to generate better preconditions for our suppliers to fulfil their undertakings.

QSI
The Quality Supplier Index, QSI, is one of our strategic key performance indicators that is measured and reported quarterly.
Quality monitoring

Suppliers must be able to have confidence in Systembolaget’s purchasing process. One important step in ensuring that this is the case is the quality and style monitoring in both the long and the short term of the products that have won the request for tender process. The monitoring is a multi-stage process involving both sensoric and chemical testing and takes place both before and after launch. Random sample testing on site at the producer are also carried out for launches that are adjudged to be particularly critical. A total of seven launches were terminated during the year because the product delivered failed to meet the requirements of the request for tender. The chemical monitoring is carried out at Systembolaget’s laboratory in Jordbro, which also checks to ensure that the products are compatible with all applicable legal requirements, such as alcohol, sulphur dioxide, methanol and sorbic acid content.

Strict brand neutrality

Under the laws that regulate competition, Systembolaget must act in a non-discriminatory way in relation to our suppliers. The Swedish Competition Authority has reported on Systembolaget’s operations to the European Commission, ever since Sweden’s EU accession. Drinks suppliers can appeal our decisions to reject a tender or to de-list a product from our range via the Swedish National Alcoholic Beverages Product Range Board. Systembolaget complies at all times with the Board’s rulings and the inclusion of boxed wines in our range is, for example, a result of such a ruling.

“Under the laws that regulate competition, Systembolaget must act in a non-discriminatory way in relation to our suppliers”

Developing logistics

Our purchases include delivery of goods to the stores. We also have our own logistics flow for customer-packaged orders placed with our agents, home deliveries, and customer orders of goods not carried in-store. These orders are delivered from our depots in Örebro and Sundsvall, where eight million bottles are packed every year. Eight million bottles corresponds to 0.1 per cent of Systembolaget’s annual volume. The home delivery trial has been extended and our entire range can now be ordered from the systembolaget.se website, thereby further increasing the demands made on our logistics. Our hope is, however, that even though the entire range can now be ordered from the systembolaget.se website, the new product range management too will reduce the total number of bottles sent from our warehouses to stores in that the faster management system means that the stores’ ranges can be adapted in line with local demand.
Owners

Sweden has pursued a responsible alcohol policy for many years now, whatever the political party in power, and has consequently made much greater progress than most other countries when it comes to limiting the harmful effects of alcohol in society. Systembolaget is an important tool of Swedish alcohol policy. Our mandate, under the provisions of the Swedish Alcohol Act and as approved by Parliament, gives us a sole right on retail sales of strong beer, wine and spirits to private persons in Sweden.
Our mandate

Our mandate is to handle all sales of strong beer, wine and spirits to private individuals in a responsible way, providing both a high quality service and information on the risks associated with alcohol.

Neutrality in relation to products and suppliers is an important part of our monopoly. We do not favour anyone, including, for example, Swedish products, and base our selection, instead, on customer demand, quality, our mandate, and other commercial considerations. Our purchasing process is open and transparent in order to guarantee top quality products for our customers and predictability and equal treatment for our suppliers.

Steering documents

Our operations are primarily conducted on the basis of Systembolaget’s agreement with the State, the Swedish Alcohol Act, and EU legislation, which formulate the requirements with which we must comply, namely that we must inform people about the risks associated with alcohol, provide good service for our customers, ensure that our product selection is brand-neutral, and conduct our operations rationally and with effective cost control without maximising our profits. These requirements act as a guide for Systembolaget and direct the way in which our operations are monitored.

Sustainable operational goals

Systembolaget’s mandate entails a social responsibility – a responsibility that permeates our day-to-day operations. We also, in addition to our mandate from our owners, have chosen to take responsibility for conducting our operations in an ethical and eco-friendly way and for working to ensure that our products are manufactured under conditions that are good for people and the environment alike.

This is in line with the heightened ambition in the sustainability sphere that the government ordered for the State-owned companies in 2012. To this end, in 2013, the Boards of the State-owned companies have also been mandated to establish relevant and challenging sustainability goals for their operations and at the end of the year, the Board of Systembolaget approved two sustainability goals that are closely linked to our commercial operations. The goals are in the following prioritised areas:

- promotion of the benefits offered by Systembolaget
- reduction of the company’s environmental impact

The aim is to achieve these goals by 2020.

The first goal is linked to the alcohol policy mandate which requires Systembolaget to help reduce the harmful effects of alcohol in society, and which is measured by the Alcohol Index. The second goal concerns Systembolaget’s environmental impact and aims to reduce this impact by 14,000 tonnes of CO₂e (carbon dioxide equivalents) by 2020, measured from the base year of 2014.

Find out more on the in-depth GRI report in page 50 of Part 2.
Swedes’ alcohol habits are presented every year in a report commissioned by the Government and entitled “Tal om alkohol” (Alcohol in figures), which is part of the so-called Monitor survey. Alcohol consumption in Sweden in 2012 totalled 9.2 litres of pure alcohol per head of population aged 15 or above. CAN (The Swedish Council for Information on Alcohol and Other Drugs) has not, as of the publication date, published any consumption figures for 2013. The trend in alcohol consumption has declined from its peak in 2004, when 10.5 litres of pure alcohol per head of population was consumed. It is good to see that this trend also applies to young people’s alcohol consumption, and in its annual report on young people’s alcohol consumption, CAN shows a fall in consumption levels.

Products purchased at Systembolaget accounted for 63 per cent of total alcohol consumption. 85 per cent of the wine consumed in Sweden is purchased at Systembolaget. The corresponding figures for strong beer and spirits are 62 per cent and 45 per cent, respectively. Other alcohol consumed is purchased in restaurants, in bars, or when travelling abroad – so-called imports by travellers. A small percentage of the alcohol consumed in Sweden reaches consumers through smuggling and in recent years, the percentage of alcohol consumed that has been smuggled into the country has been 4 per cent.1

In-store work experience for politicians

Systembolaget’s mandate means that our operations differ in many respects from other areas of the retail trade sector. The dialogue with our decision-makers is, for example, an important part of our strategic work aimed at creating an understanding of our mandate and of developing our offering, responsibility and service. A large number of parliamentary and municipal politicians have taken part in work experience in our stores since 2011, when the scheme was launched. Over the course of half a day, the “trainee” is given a presentation of how Systembolaget and our mandate works, is shown around every part of the store, and is given the opportunity to work at the check-out.

Doing work experience at Systembolaget gave me a good insight into Systembolaget’s double mandate – to sell alcohol in a socially responsible way while providing a high quality service.”

Anders W Jonsson, Centre Party MP and Chairman of the Government’s Social Committee.

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Important issues for the future

Systembolaget and Swedish alcohol policy are constantly developing. The home delivery trial was extended during the autumn to ten more towns and counties. The Government decided to raise the tax on alcohol – a measure that came into force on 1 January 2014. And finally, the Government Commission presented its report into the supervision of marketing of and e-commerce with regard to alcoholic drinks.

The Commission for the supervision of marketing and e-commerce with regard to alcoholic beverages, etc. (SOU 2013:50)

On 9 July, the Government Commission (SOU 2013:50) presented its report, entitled “A path to increased supervision: marketing of and e-commerce with regard to alcohol and tobacco”. The Commission stated that e-commerce involving alcoholic beverages that is aimed at Swedish consumers is increasing and that alcohol-related legislation should be reviewed in order to regulate more clearly the boundary between, on the one hand, the legal scope for private individuals to import alcoholic drinks from other EEA countries for private consumption and, on the other hand, the selling of alcoholic drinks in Sweden – an area where Systembolaget holds a monopoly. The Commission also states, however, that the private import of alcoholic drinks is, from a supervisory viewpoint, terra incognita. The Commission also describes a trend of increasing marketing of alcoholic drinks, increasing exposure on the part of children and young people, and a lack of supervisory intervention, all of which is worrying. The marketing is often aggressive and proactive and hence boosts both sales and consumption.

Overall, Systembolaget is of the opinion that the situation in which we find ourselves is highly problematic and we share the Commission’s view that the legislation must be reviewed in order to provide clearer regulation of what is and is not permitted in connection with private importation of alcoholic drinks. It is incredibly important that effective supervision is established in this area, but the regulations must be clarified before a new supervisory system can be created and introduced. If this is not done, there is a risk that illegal e-commerce in alcoholic drinks will be legitimised. Profit-maximising online stores – without clear limits on what is and is not allowed – are in direct conflict with several of the fundamental principles of Swedish alcohol policy and legislation, including those of restricted availability and restrictions on private profit interests in the context of alcohol retail. Systembolaget is consequently pleased that in early 2014, the Government appointed a new Commission (Dir.2014:1) which is tasked with reviewing the regulations governing e-commerce and home deliveries of alcoholic drinks to consumers.

When it comes to the marketing of alcoholic drinks, Systembolaget welcomes the Commission’s proposal for measures to ensure more efficient supervision. Systembolaget believes, however, that the mapping by the Commission shows that a number of measures are needed in order to maintain effective restrictions on the ability to market alcoholic drinks – not least with regard to the protection offered to children and young people.
Home delivery trial extended

In the autumn of 2012, the Government made it possible for Systembolaget to conduct a trial of home deliveries. The trial began in eight locations nationwide and was to be implemented in such a way that it enhanced the service we provide without leading to an increase in consumption. The aim is to offer an improved service for those people who, for example, find it difficult to get to a store.

An independent group of researchers is monitoring Systembolaget’s home delivery trial and has produced an initial report during the year. The report shows that total sales of alcohol have not increased and that the home delivery customers are no more likely to be high risk consumers than the rest of the population. The researchers do state, however, that the conclusions are based on far too short a trial period within a limited trial area and have, therefore, recommended that the trial be expanded and extended.

A decision to expand and extend the trial was taken during the autumn, and it will now continue until 31 December 2014, after which it will be evaluated before a decision is taken on whether home delivery shall be part of Systembolaget’s standard service offering.

The trial included the following towns and counties, as of 31 December:
- Askim
- Borås
- Brämhult
- Gothenburg
- Mölndal
- Skåne county
- Stockholm county
- Uppsala
- Västerbotten county
- Västernorrland county

This selection allows the researchers to study the effects of the trial in major conurbations, in rural areas, and in counties with a high percentage of cross-border trade.

Alcohol tax raised

Restricted availability and pricing are two of the most important tools in the alcohol policy armoury when it comes to countering high levels of alcohol consumption, and of thereby reducing the harm caused by alcohol. The price level is primarily regulated by means of the alcohol tax.

The price of alcoholic drinks has increased to a lesser extent than prices in general since the late 1990s. This poses a risk to Swedish public health and the Government consequently, for reasons of public health policy, announced a rise in alcohol tax in its Budget Bill for 2014. The decision to raise the alcohol tax was approved by Parliament on 20 November and the raise came into effect on 1 January 2014. The tax was raised by 7 per cent on strong beer and by 1 per cent on spirits.
Key performance indicators and management

Systembolaget’s operations shall generate sufficient economic scope to cover the company’s costs, and to develop the operations. The State’s Owner’s Directive mandates that we shall aim to achieve a return on shareholders’ equity that exceeds the average ten-year government bond interest rate by 4 per cent, and that we shall not attempt to maximise our profits.

Cost control

In order to comply with the owner’s requirement that our operations be conducted in a rational way, we work with a number of key performance indicators, including:

- **Work productivity** – efficiency in-store, based on the number of units handled per day’s work
- **Cost productivity** – the number of units sold over the costs that the store can influence.
- **Wastage**

The key performance indicators are followed up in the stores. Work cost productivity has increased, year-on-year in 2013, while cost productivity remained unchanged. Wastage is slightly up, year-on-year. Selling expenses increased during the year to SEK 2,607 million, while administrative expenses increased by 4 per cent to SEK 542 million. The primary reasons for the increases are the increased staff overheads that resulted from a pension provision made and from increased sales.

Strong support for the monopoly

Systembolaget and Swedish alcohol policy are founded on public confidence, and Systembolaget accordingly carries out continuous measurements of Swedes’ opinions of how well we are living up to our responsibility. These measurements are conducted in the form of both a Customer Satisfaction Index (CSI) and an Opinion Index (OPI).

The OPI measurements are conducted every month by the TNS Sifo survey organisation and constitute one of our strategic key performance indicators. The public are asked whether they would like Systembolaget to retain its monopoly or whether they would like to see sales of strong beer, wine and spirits permitted in other stores. The support for Systembolaget’s monopoly was stronger than ever in 2013, when 72 per cent of respondents wanted Systembolaget to retain its monopoly on retails sales of alcohol.

The CSI survey is conducted quarterly by the CFI Group survey company. The average index figure was 82, which is the highest value ever and corresponds to a year-on-year increase of 1 per cent.
Strategic key performance indicators

Systembolaget’s strategic planning is based on the Balance Scorecard method and the strategic management work is based on five different perspectives, namely Society, Customers, Employees, Suppliers and Owners. Several of the key performance indicators are monitored all the way down to store level. We endeavour, wherever possible, to balance our strategic management in line with these perspectives and to maintain a consistent, high level. Our most important key performance indicators are:

- **Alcohol index** – measured once a year and provides a combined measurement of people’s attitudes towards alcohol in different situations.

- **Opinion Index (OPI)** – measured every month and showing levels of support for Systembolaget.

- **Age verification checks** – conducted on an ongoing basis and shows how well we are living up to the proof of age check requirement.

- **Short-term sick leave** – measured every month.

- **Quality Supplier Index (QSI)** – measured quarterly and shows the contribution our drinks suppliers make to customer value.

- **Customer Satisfaction Index (CSI)** – measured quarterly and shows how satisfied customers are with Systembolaget.

- **Employee Satisfaction Index (ESI)** – measured once a year and shows how well equipped employees think they are to carry out their duties.

- **Trading margin** – gross profit as a percentage of income excluding alcohol tax.

- **Operating margin** – Operating profit as a percentage of income, excluding alcohol tax.

### Key performance indicators 2013

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<tr>
<td>Alcohol Index1</td>
<td>66</td>
<td>62</td>
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<tr>
<td>Age verification checks, %</td>
<td>96</td>
<td>95</td>
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<tr>
<td>Opinion Index (OPI), %</td>
<td>72</td>
<td>70</td>
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<td>68</td>
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<td>Customer Satisfaction Index (CSI)</td>
<td>82</td>
<td>81</td>
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<td>Employee Satisfaction Index (ESI)</td>
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<td>Short-term sick leave, %</td>
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<tr>
<td>Quality Supplier Index (QSI)</td>
<td>93</td>
<td>93</td>
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<td>–</td>
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<td>Trading margin gross excluding alcohol tax, %</td>
<td>21.2</td>
<td>22.5</td>
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<td>21.7</td>
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<td>Operating margin excluding alcohol tax1, %</td>
<td>1.1</td>
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<tr>
<td>Work productivity</td>
<td>845</td>
<td>836</td>
<td>839</td>
<td>836</td>
<td>833</td>
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<tr>
<td>Cost productivity</td>
<td>0.42</td>
<td>0.42</td>
<td>0.42</td>
<td>0.37</td>
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<td>Wastage2, ‰</td>
<td>1.6</td>
<td>1.3</td>
<td>1.5</td>
<td>1.4</td>
<td>1.2</td>
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<tr>
<td>Sick Leave3, %</td>
<td>5.4</td>
<td>5.3</td>
<td>4.6</td>
<td>4.9</td>
<td>5.1</td>
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<tr>
<td>Inventory turnover3</td>
<td>23.9</td>
<td>24.7</td>
<td>24.5</td>
<td>25.7</td>
<td>25.4</td>
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</table>

1 New strategic key performance indicators, as of 2013.
2 Compared to losses in retail, the wastage is very low.
3 No target established.
### The Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position previously held</th>
<th>Other positions held</th>
<th>Elected/Appointed</th>
<th>Positions previously held</th>
<th>Board meetings</th>
<th>Meetings with the Audit Committee</th>
<th>Meetings with the remuneration committee</th>
<th>Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cecilia Schelin Seidegård</td>
<td>Chairperson of the Board of the University of Gothenburg, Almi and Gotland AB, Member of the Board of Global Health Partner AB</td>
<td>Chairman of the Boards of the University of Gothenburg, Almi and Gotland AB, Member of the Board of Global Health Partner AB</td>
<td>Chairperson since 2008 2009 2011 2007 2012 2007</td>
<td>Chairperson of the Board of the University of Gothenburg, Almi and Gotland AB, Member of the Board of Global Health Partner AB</td>
<td>10</td>
<td>10</td>
<td>4</td>
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</tr>
<tr>
<td>Kerstin Wigzell</td>
<td>Deputy Chairperson Member of the Remuneration and the Audit Committees</td>
<td>Chairperson of the Board of the Stockholm Academy of Dramatic Arts, Member of the Boards of the University of Linköping, the Press Council, and the National Swedish Police Board's Ethics Council, Vice Chairperson of the Swedish Pensions Agency</td>
<td>2009 2011 2007 2012 2007</td>
<td>CEO of and consultant for own company (APel AB), Senior Physician, Addiction Centre, Stockholm, Expert in alcohol and narcotics issues, Swedish National Institute of Public Health, Scientific Council for Abuse Issues at the National Board of Health and Welfare</td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Thord Andersson</td>
<td>Member of the Board Member of the Audit Committee</td>
<td>Chairperson of the Board of the Stockholm Academy of Dramatic Arts, Member of the Boards of the University of Linköping, the Press Council, and the National Swedish Police Board's Ethics Council, Vice Chairperson of the Swedish Pensions Agency</td>
<td>2009 2011 2007 2012 2007</td>
<td>CEO of and consultant for own company (APel AB), Senior Physician, Addiction Centre, Stockholm, Expert in alcohol and narcotics issues, Swedish National Institute of Public Health, Scientific Council for Abuse Issues at the National Board of Health and Welfare</td>
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<td>10</td>
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</tr>
<tr>
<td>Sven Andréasson</td>
<td>Member of the Board Member of the Audit Committee</td>
<td>Chairperson of the Board of the Stockholm Academy of Dramatic Arts, Member of the Boards of the University of Linköping, the Press Council, and the National Swedish Police Board's Ethics Council, Vice Chairperson of the Swedish Pensions Agency</td>
<td>2009 2011 2007 2012 2007</td>
<td>CEO of and consultant for own company (APel AB), Senior Physician, Addiction Centre, Stockholm, Expert in alcohol and narcotics issues, Swedish National Institute of Public Health, Scientific Council for Abuse Issues at the National Board of Health and Welfare</td>
<td>10</td>
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<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Crister Fritzson</td>
<td>Member of the Board Chairperson of the Audit Committee</td>
<td>Chairperson of the Board of the Stockholm Academy of Dramatic Arts, Member of the Boards of the University of Linköping, the Press Council, and the National Swedish Police Board's Ethics Council, Vice Chairperson of the Swedish Pensions Agency</td>
<td>2009 2011 2007 2012 2007</td>
<td>CEO of and consultant for own company (APel AB), Senior Physician, Addiction Centre, Stockholm, Expert in alcohol and narcotics issues, Swedish National Institute of Public Health, Scientific Council for Abuse Issues at the National Board of Health and Welfare</td>
<td>10</td>
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</tr>
<tr>
<td>Johan Gernandt</td>
<td>Member of the Board Chairperson of the Audit Committee</td>
<td>Chairperson of the Board of the Stockholm Academy of Dramatic Arts, Member of the Boards of the University of Linköping, the Press Council, and the National Swedish Police Board's Ethics Council, Vice Chairperson of the Swedish Pensions Agency</td>
<td>2009 2011 2007 2012 2007</td>
<td>CEO of and consultant for own company (APel AB), Senior Physician, Addiction Centre, Stockholm, Expert in alcohol and narcotics issues, Swedish National Institute of Public Health, Scientific Council for Abuse Issues at the National Board of Health and Welfare</td>
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**Board meetings:** 10|10 10|10 10|10 8|10 9|10 8|10

**Meetings with the Audit Committee:** 4|4 4|4 4|4

**Meetings with the remuneration committee:** 5|5 5|5

**Remuneration:**
- Cecilia Schelin Seidegård: 228 TSEK
- Kerstin Wigzell: 130 TSEK
- Thord Andersson: 130 TSEK
- Sven Andréasson: 100 TSEK
- Crister Fritzson: 140 TSEK
- Johan Gernandt: 100 TSEK

**Independent:**
- Cecilia Schelin Seidegård
- Kerstin Wigzell
- Thord Andersson
- Sven Andréasson
- Crister Fritzson
- Johan Gernandt
# The Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Member since</th>
<th>Education/Experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carl B Hamilton</td>
<td>Member of the Board</td>
<td>1946</td>
<td>FPhD (Economics). Social sciences programme, upper secondary school.</td>
</tr>
<tr>
<td>Mona Sahlin</td>
<td>Member of the Board</td>
<td>1957</td>
<td>M.A. in Human Rights. Nursing auxiliary, occupational therapy.</td>
</tr>
<tr>
<td>Anna Holgersson</td>
<td>Employee representative</td>
<td>1977</td>
<td>Employment as a member of the sales team since 2001.</td>
</tr>
<tr>
<td>Karin Larsson</td>
<td>Employee representative</td>
<td>1958</td>
<td>Employed as a salesperson since 1989. Member of the Board of Systembolaget.</td>
</tr>
<tr>
<td>Jenny Svensson</td>
<td>Employee representative</td>
<td>1974</td>
<td>Hotel and restaurant training and a Chef’s Diploma.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Member since</th>
<th>Education/Experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member of the Board</td>
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</tr>
<tr>
<td>Carl B Hamilton</td>
<td>Member of the Board</td>
<td>2007</td>
<td>Chairperson of the Social Democratic Party, Member of Parliament, Secretary of State for the Ministry of Enterprise, Energy and Communications, the Ministry of Justice, and the Ministry of the Environment. Member of the Board of the Swedish Sports Confederation.</td>
</tr>
<tr>
<td>Mona Sahlin</td>
<td>Member of the Board</td>
<td>2012</td>
<td>Chairperson of the Social Democratic Party, Member of Parliament, Secretary of State for the Ministry of Enterprise, Energy and Communications, the Ministry of Justice, and the Ministry of the Environment. Member of the Board of the Swedish Sports Confederation.</td>
</tr>
<tr>
<td>Anna Holgersson</td>
<td>Employee representative</td>
<td>2010</td>
<td>Chairperson of Systembolagets Staff Association, Member of the Unionen trade union (for white collar workers in the private sector) delegation to the South Western Regional Board of Handels (Union of Commercial Employees) and Unionen.</td>
</tr>
<tr>
<td>Karin Larsson</td>
<td>Employee representative</td>
<td>2012</td>
<td>Member of the Board of Systembolaget, Chairperson of the Salespersons’ Club, Jönköping, Member of the Board of the Pension Foundation, Coordinating Work Environment Representative (SAMO) for Systembolaget.</td>
</tr>
<tr>
<td>Jenny Svensson</td>
<td>Employee representative</td>
<td>2013</td>
<td>Employed since 1997 in a variety of roles within Systembolaget. Store Manager since 2005. Chairperson of the Salivste Managers’ Club and member of the central salaries group.</td>
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<thead>
<tr>
<th>Year</th>
<th>Salary</th>
<th>Year</th>
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<td>2007</td>
<td>8</td>
<td>10</td>
<td>2012</td>
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<td>2010</td>
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<tr>
<td>2007</td>
<td>100 TSEK</td>
<td>2012</td>
<td>100 TSEK</td>
<td>2010</td>
<td>—</td>
<td>2011</td>
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<th>Employee representative</th>
<th>Employee representative</th>
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Company Management

Magdalena Gerger
President
Born: 1964
Employed: 2009
Education and previous positions:
B.Sc. Economics and Business Administration and MSc. Stockholm School of Economics

Mrs Gerger’s previous positions include those of Marketing Director at Arla Foods, Divisional Manager at Nestlé Ltd., and Marketing Director at ICI Paints Ltd.

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

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

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

Mr Wallteg’s previous positions include those of Sales Manager at Coop Konsum Sverige and Regional Manager for Coop Konsum Stockholm.

Ulrika Bennich
CFO
Born: 1970
Employed: 2011
Education and previous positions:
B.Sc. Economics and Business Administration

Mrs Bennich’s previous positions include those of Strategy Director at KF, CEO of KF Shared Services AB, and various other positions within KF and Stora Enso.

Mattias Forsberg
IT Director
Born: 1972
Employed: 2011
Education and previous positions:
B.Sc. Economics and Business Administration, B.Sc. Civil Engineering

Mr Forsberg’s previous positions include those of Management Consultant and Senior Manager at Accenture, and most recently that of IT Director at B&B Tools.

Tobias Frohm
HR Director
Born: 1965
Employed: 2011
Education and previous positions: Human Resources Specialist

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

Håkan Johansson
Real Estate Director
Born: 1957
Employed: 2001
Education and previous positions: Marketing Economist

Mr Johansson’s previous positions include those of Logistics Director at Systembolaget AB, Sales Director at Systembolaget AB, and Sales Manager and Deputy CEO at RBS AB.

Malin Sandquist
Senior Legal Counsel
Born: 1972
Employed: 2012
Education and previous positions: LL.B.

Mrs Sandquist has previously worked as a lawyer, most recently as a joint owner of Advokatfirman Hammanskild & Co.
Systembolaget’s organisation is process-orientated, with responsibility for the principal processes lying with the Sales Operations Area and C,B,P,S – Communication, Brand planning, Purchasing, and Supply Chain.

C,B,P,S Operations Area:
- Communication,
- Brand planning,
- Purchasing,
- Supply Chain.

The Sales Operations Area is responsible for:
- operations and sales in the stores. Systembolaget’s 426 stores are organised into 27 areas with between 10 and 17 stores in each area. Each area has a Regional Manager who is responsible for the day-to-day contacts between his or her store managers and Systembolaget’s Head Office.

The other central departments act as support units for the primary process and are responsible for:
- developing and administering the network of stores and the IT systems
- recruiting and developing employees
- legal issues and accounting flows.

The President and the corporate management team are responsible for:
- the management process.
Systembolaget in figures

Summary of financial reporting and in-depth GRI Report

The financial section and the in-depth GRI Report are presented in Part 2 of Systembolaget’s Responsibility Report. Systembolaget has ceased, as of 2012, to prepare any Consolidated Accounts, as the subsidiary companies are not of material importance, financially, in relation to Systembolaget as a whole. The GRI Report includes both Systembolaget AB and also, in those areas that we regard as significant, the IQ-initiativet AB subsidiary company.

The financial year in brief

- Net sales for the year totalled SEK 25,709 million, corresponding to a year-on-year increase of 2.4 per cent.
- The operating profit fell, year-on-year, by SEK 102 million to SEK 168 million. Staff overheads increased due to the lowering by the Swedish Financial Supervisory Authority of the discount rates that form the basis for calculating pension liabilities.
- The pre-tax profit totalled SEK 317 million, corresponding to a year-on-year increase of SEK 69 million. Systembolaget has, in conjunction with the preparation of its year-end accounts, anticipated a dividend from subsidiary companies of SEK 171 million.
- The cash flow from operating activities totalled SEK 456 million, corresponding to a year-on-year decrease of 20.6 per cent.
- The return on shareholders’ equity was 18.0 per cent and hence exceeded the owner’s target by 11.9 percentage points.
- The Board of Directors will propose to the Annual General Meeting that a dividend of SEK 287 million be paid to the owner.
- Systembolaget’s assets totalled SEK 5,463 million, of which Cash and cash equivalents and Financial assets were the largest items.
- Liabilities totalled SEK 3,853 million, 85 per cent of which comprised accounts payable.
- The equity/assets ratio was 31.5 per cent. The owner’s target figure is approximately 35 per cent.

In-depth sustainability report

Systembolaget has in 2013, in accordance with the environmental plan adopted in 2011, focused on an internal programme of work addressing not only waste management and energy consumption, but also on reducing the negative environmental impact of drinks packaging and transports. In 2011, Systembolaget adopted a Code of Conduct produced by BSCI and which has, as of 2012, been included in the General Purchasing Terms & Conditions for alcoholic beverages. Systembolaget has followed up on compliance with the Code in 2013 and has carried out 14 audits at production facilities in high-risk countries. The Nordic alcohol retail monopolies have also carried out a new supplier chain risk analysis in 2013 and have worked on a new strategy of common sustainability work that will be adopted in early 2014.

Systembolaget’s income 2013

- Wine 52.4%
- Strong beer 23.1%
- Cider and mixed drinks 2.6%
- Non-alcoholic 0.4%
- Other goods and services 0.5%
- Spirits 21.0%
Ten years in brief

Sales per capita 15 years and over, divided per product group (liters)

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<tr>
<td>Spirits</td>
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<td>2.6</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
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<tr>
<td>Wine</td>
<td>24.7</td>
<td>24.5</td>
<td>24.2</td>
<td>24.1</td>
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<td>21.6</td>
<td>20.9</td>
<td>19.9</td>
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<tr>
<td>Strong beer</td>
<td>28.9</td>
<td>28.6</td>
<td>28.7</td>
<td>28.9</td>
<td>29.0</td>
<td>27.5</td>
<td>27.1</td>
<td>25.9</td>
<td>23.9</td>
<td>23.3</td>
</tr>
<tr>
<td>Cider and mixed drinks</td>
<td>2.2</td>
<td>2.3</td>
<td>2.4</td>
<td>2.5</td>
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<td>2.4</td>
<td>2.4</td>
<td>2.3</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Alcohol-free</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.13</td>
<td>0.11</td>
<td>0.11</td>
<td>0.10</td>
<td>0.10</td>
<td>0.09</td>
</tr>
<tr>
<td>A total of 100% alcohol</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
<td>5.8</td>
<td>5.4</td>
<td>5.3</td>
<td>5.1</td>
<td>4.9</td>
<td>4.8</td>
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Sales in million liters, broken down per product group

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</thead>
<tbody>
<tr>
<td>Spirits</td>
<td>18.9</td>
<td>19.3</td>
<td>19.4</td>
<td>20.0</td>
<td>20.1</td>
<td>19.1</td>
<td>19.3</td>
<td>18.9</td>
<td>18.8</td>
<td>19.2</td>
</tr>
<tr>
<td>Wine</td>
<td>197.9</td>
<td>194.5</td>
<td>191.0</td>
<td>187.9</td>
<td>181.4</td>
<td>166.5</td>
<td>159.5</td>
<td>150.5</td>
<td>143.0</td>
<td>138.7</td>
</tr>
<tr>
<td>Strong beer</td>
<td>231.5</td>
<td>227.6</td>
<td>227.1</td>
<td>225.8</td>
<td>226.9</td>
<td>212.4</td>
<td>207.1</td>
<td>195.7</td>
<td>179.0</td>
<td>172.9</td>
</tr>
<tr>
<td>Cider and mixed drinks</td>
<td>17.6</td>
<td>18.2</td>
<td>19.1</td>
<td>19.3</td>
<td>19.4</td>
<td>18.5</td>
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<td>16.8</td>
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<tr>
<td>Alcohol-free</td>
<td>2.4</td>
<td>2.2</td>
<td>1.7</td>
<td>1.3</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>A total of 100% alcohol</td>
<td>46.4</td>
<td>46.0</td>
<td>45.6</td>
<td>45.5</td>
<td>44.8</td>
<td>41.6</td>
<td>40.5</td>
<td>38.4</td>
<td>36.4</td>
<td>35.6</td>
</tr>
</tbody>
</table>

The tax component\(^1\) of the retail price of goods in different price bands, 31 December 2013

<table>
<thead>
<tr>
<th>(ex. any deposit and return)</th>
<th>70cl 40% SEK 220</th>
<th>70cl 40% SEK 500</th>
<th>75cl 13% SEK 75</th>
<th>75cl 13% SEK 500</th>
<th>50cl 4.8% SEK 16</th>
<th>33cl 5.2% SEK 10</th>
<th>33cl 7.2% SEK 12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier price, ex. alcohol tax</td>
<td>27.50</td>
<td>216.00</td>
<td>34.00</td>
<td>319.50</td>
<td>3.80</td>
<td>3.60</td>
<td>4.00</td>
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<tr>
<td>Alcohol tax</td>
<td>140.39</td>
<td>140.39</td>
<td>16.19</td>
<td>16.19</td>
<td>5.60</td>
<td>2.85</td>
<td>4.00</td>
</tr>
<tr>
<td>VAT, 25%</td>
<td>43.95</td>
<td>100.03</td>
<td>15.04</td>
<td>99.97</td>
<td>3.21</td>
<td>2.00</td>
<td>2.40</td>
</tr>
<tr>
<td>Systembolaget’s total price surcharge</td>
<td>7.93</td>
<td>43.74</td>
<td>9.96</td>
<td>64.21</td>
<td>3.42</td>
<td>1.53</td>
<td>1.61</td>
</tr>
<tr>
<td>Total tax, %</td>
<td>84</td>
<td>48</td>
<td>42</td>
<td>23</td>
<td>55</td>
<td>49</td>
<td>53</td>
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</tbody>
</table>

\(^1\) The term, tax, refers to alcohol tax and VAT.
### GRI index

Systembolaget reports in accordance with the Global Reporting Initiatives (GRI) guidelines at level B+, as verified by Ernst & Young AB. In accordance with level B Systembolaget reports all profile indicators and 20 performance indicators. The report for the 2013 financial year comprises the Parent Company, Systembolaget AB, and the wholly-owned subsidiary company, IQ-initiativet AB.

#### PROFILE

<table>
<thead>
<tr>
<th>Part 1</th>
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<tbody>
<tr>
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#### 2 Organisational profile

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<td>2.2</td>
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<td>2.3</td>
<td>63</td>
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<tr>
<td>2.4</td>
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<td>2.5</td>
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<td>2.6</td>
<td>28</td>
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<td>2.7</td>
<td>23, 28–29</td>
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<tr>
<td>2.8</td>
<td>64–65, 24–25</td>
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<td>2.9</td>
<td>2–3, 39</td>
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<td>2.10</td>
<td>16, 17, 29, 36</td>
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#### 3 Report parameters

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<td>3.3</td>
<td>39</td>
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#### 3.5 Process for defining report content

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<tr>
<td>3.5</td>
<td>8, 9, 40, 50</td>
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#### 3.6 Boundary of the report

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<tr>
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<td>39</td>
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#### 3.7 Limitation of scope or boundary of report

<table>
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<tbody>
<tr>
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<td>39</td>
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</table>

#### 3.8 Reporting principles for jointly owned companies, subsidiaries, etc.

<table>
<thead>
<tr>
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<th>Part 2</th>
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<tbody>
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#### 3.9 Data measurement techniques and bases for calculation

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#### 3.10 Explanation of effect of re-statements of information provided in earlier reports

<table>
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<tbody>
<tr>
<td>3.10</td>
<td>39</td>
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#### 3.11 Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report

<table>
<thead>
<tr>
<th>Part 1</th>
<th>Part 2</th>
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<tbody>
<tr>
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#### GRI content index

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#### Assurance

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#### 4 Governance, commitments, and engagement

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<td>4.1</td>
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<td>4.2</td>
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<td>4.3</td>
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<td>4.5</td>
<td>See the Swedish edition on systembolaget.se part 2, pages 35–36</td>
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<td>10</td>
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<td>4.7</td>
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<td>10–11, 15</td>
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<tr>
<td>4.10</td>
<td>11</td>
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</table>

The list of contents contains all of the core indicators and the supplementary indicators that Systembolaget has adjudged relevant to its operations on the basis of the company’s most important sustainability issues. The table below shows the page references for the various indicators.

- **R** = Reported wholly
- **P** = Reported in part
- **N** = Not reported

#### Commitments to external initiatives

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<thead>
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<tr>
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<tr>
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#### Stakeholder engagement

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<td>31</td>
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<tr>
<td>4.17</td>
<td>31</td>
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#### PERFORMANCE INDICATORS

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<td>5.1</td>
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#### Economic performance

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#### Market presence

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#### Indirect economic impacts

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#### Environmental indicators

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<td>5.5</td>
<td>37, 43 and p. 55 this edition</td>
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#### Material

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#### Energy

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#### Energy

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<td>5.8</td>
<td>40–41</td>
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#### Energy saved due to conservation and efficiency improvements

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<td>5.9</td>
<td>57</td>
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#### Initials to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.

<table>
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#### Initials to reduce indirect energy consumption and reductions achieved

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<td>58–60</td>
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</table>
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, and other indicators of diversity to gender, age group, minority group membership, breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity

Biodiversity

EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

Emissions, effluents, and waste

EN16. Total direct and indirect greenhouse gas emissions by weight

EN17. Other relevant indirect greenhouse gas emissions by weight 51 58

EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved 59

EN19 Emissions of ozone-depleting substances by weight

EN20 NO, SO, and other significant air emissions by type and weight

EN21 Total water discharge by quality and destination

EN22 Total weight of waste by type and disposal method 21 60

EN23 Total number and volume of significant spills

Products and services

EN26. Initiatives to mitigate environmental of products and services, and extent of impact mitigation 21, 33 61

EN27. Percentage of products sold and their packaging materials that are reclaimed by category

Compliance

EN28. Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations

Societal impact

Labour practices and decent work

Sustainability management disclosure

LA1. Total workforce by employment type, employment contract and region 62–63

LA2. Total number and rate of employee turnover by age group, gender and region 63–64

LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation

LA4. Percentage of employees covered by collective bargaining agreements 64

LA5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements

LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region 41 64

LA8. Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases

LA10. Average hours of training per year per employee by gender, and by employee category

LA11. Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

LA12. Percentage of employees receiving regular performance and career development reviews 38 65

LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity 65–66

LA14. Ratio of basic salary of men to women by employee category 67

Human rights

Sustainability management disclosure

HR1. Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening 43–47 68

HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken 68

HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

HR4. Total number of incidents of discrimination and actions taken

HR5. Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights

HR6. Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour

HR7. Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour

Local community

Sustainability management disclosure

SO1. Nature and scope of the routines that assess the impacts of operations on communities, including entering, operating and exiting 69

SO2. Percentage and total number of business units analysed for risks related to corruption 6, 70

SO3. Percentage of employees trained in organisation’s anti-corruption policies and procedures 39 70

SO4. Actions taken in response to incidents of corruption 71

SO5. Public policy positions and participation in public policy development and lobbying

SO6. Monetary value of significant fines and total number of non-monetary sanctions for contract and compliance with laws and regulations

Product responsibility

Sustainability management disclosure

PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

PR2. Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements

PR3. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome

PR4. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction 26–27 71

PR5. Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship

PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communication, including advertising, promotion, and sponsorship by types of outcome

PR8. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

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Definitions – Part 1

Age verification checks
The age verification check measures how often proof of age was requested as a percentage of the total number of control purchases. The control purchases are carried out by people aged between 20 and 24. Systembolaget commissions Better Business to carry out these checks. A total of just over 6,300 control purchases were made every year in stores and at agents, with approximately 600 of these purchases made at agents. Age verification checks are carried out daily and are reported every month.

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

Alcohol Research Council
Systembolaget’s Alcohol Research Council is an independent council that provides support for both socio-scientific and biomedical alcohol research. The council’s role is of particular importance in terms of the preventative work in relation to alcohol-related damage and harm is prioritised.

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

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

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

Bright Index
Systembolaget monitors and quantifies levels of service, quality and efficiency by our Customer Services Department with the aid of the Bright Index tool, which also compares the most important key performance indicators with other Nordic customer contact centres that face the same challenges.

BSCI
Business Social Compliance Initiative.

CAN
The Swedish Council for Information on Alcohol and Other Drugs.

Capital employed
The Balance Sheet total less noninterest-bearing liabilities including deferred tax liabilities.

Cash flow per share
Cash from operating activities divided by the average number of shares.

CIS – Customer Interaction Survey
We carry out Customer Interaction Surveys on a rolling basis throughout the year with the aim of “mystery shoppers” and feed the results back directly to the stores in question.

CSR – Corporate Social responsibility
A company’s responsibility for its environmental and societal impact on the world in which it operates (both people and the environment), over and above that required by law.

Customer Satisfaction Index - CSI
The CSI measures how satisfied customers are with Systembolaget. The total index is an average value obtained from responses to the following three questions:

- How satisfied or dissatisfied are you with the Systembolaget store, overall?
- How well does the Systembolaget store live up to your expectations?
- How close to or far from ideal do you think the Systembolaget store is?

The customers’ answers, which are given on a scale from 1 to 10, are converted to a figure between 10 and 100. Systembolaget engages an external consultancy company to conduct the survey. A total of 1,500 randomly selected individuals aged between 15 and 74 are interviewed every month. The Opinion Index is measured and reported every month.

Product wastage
Wastage of goods, as established during stocktaking, pro rata of income.

Return on shareholders’ equity
The net profit for the year as a percentage of average shareholders’ equity.

Return on capital employed
Operating profit plus financial income as a percentage of the average capital employed.

Shareholders’ equity per share
Shareholders’ equity divided by the number of shares on the closing day.

Short-term sick leave
All hours lost to sickness during the current rolling 12-month period (Jan–Dec 2013) that lasted between 1 and 14 days in relation to the total number of hours worked during the same period.

Solidity
Equity as a percentage of total assets.

SoRAD
The Centre for Social Research on Alcohol and Drugs, at Stockholm University.

Stock turnover rate
Income divided by the average stock value at sale price.

Superb Service
“Superb Service” is not a description applied to run-of-the-mill good service. It applies exclusively to service that has been truly extra ordinary. In cases, in other words, when the service has been so good that the customer cannot help telling friends and acquaintances about what happened. It’s a feeling that lingers long after the visit is over and ensures that when they leave, the customer is already looking forward to the next visit.

Supplier Quality Index
Supplier Quality Index is measured on a monthly basis and shows how our beverage suppliers contribute to customer value.

Value chain
The activities involved in creating value for Systembolaget’s customers – from the creation of raw materials such as grapes, grain and packaging to meet the end consumer to enable conscious consumption.

Wastage
Wastage, as established during stocktaking, pro rata of income, including both product and cash wastage.

Work productivity
The number of work units processed (packs after weighting per product group) per day’s work (8 hours).
Annual General Meeting

The Annual General Meeting of the company’s shareholders will be held in Stockholm on the 24th of April 2014

Financial calendar 2013

30th of April 2014 ......................... Interim Report, January–March 2014
30th of October 2014 .................... Interim Report, January–September 2014
13th of February 2015 ................. 2014, Financial Statement
Please contact us!
We gladly accept feedback and comments on our Responsibility Report.
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