

2012 Responsibility Report

Part 2 – Financial Reports and in-depth GRI Report



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Financial Reports and in-depth GRI Report

Responsible selling is at the heart of Systembolaget's mandate. This Responsibility Report integrates our annual accounts and our Corporate Governance Report with our Sustainability Report.

The 2012 Sustainability Report is published in two complementary parts:

Part 1. Presenting...

- the issues we have identified as being of importance for our operations and our stakeholders

Part 2. Presenting...

- a comprehensive financial report including the Corporate Governance Report (formal annual accounts)
- in-depth information about our reporting in accordance with the Global Reporting Initiative, GRI

About the Sustainability Report

The financial reporting refers to Systembolaget AB. The GRI Report refers to the Parent Company, Systembolaget AB, and the wholly-owned subsidiary companies, IQ-initiativet AB, AB K14, Näckströmsgatan and Gamla Distribution i Jordbro 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 47–48.

The year in brief

- Net sales: SEK 25.1 billion
- 5,032 employees
- 421 stores and just over 500 agents
- 530 active drinks suppliers
- Just over 13,650 item
 - approx. 2,400 in the fixed range
 - approx. 11,250 in the available for order range
- Just over 118 million customer visits to the stores and 21 million visits to systembolaget.se.
- The app search & find used 7,000,000 times
- Customer service answered 130,000 emails and phone calls

The year in figures - Systembolaget AB

Financial key performance indicators

	2012	2011	2010
Net sales, SEK m	25,099	24,416	24,111
Trading margin incl. alcohol tax, %	12.8	12.8	12.7
Trading margin, excl. alcohol tax, %	21.3	21.7	21.8
Operating margin, %	1.1	0.7	1.4
Net profit for the year, SEK m	180	223	223
Return on shareholders' equity, %	12.8	15.6	14.6
Equity/assets ratio, %	27.4	27.6	28.4

Net sales, SEK m

	2012	2011	2010
Spirits	5,471	5,458	5,610
Wine	12,988	12,557	12,266
Strong beer	5,740	5,510	5,373
Cider and mixed drinks	687	704	695
Alcohol-free	94	67	49
Total drinks sales	24,980	24,296	23,993
of which organic	944	938	758
Other goods and services	119	120	118
Total	25,099	24,416	24,111

Directors' Report including Corporate Governance Report

The Board of Directors and the President of Systembolaget AB, corporate ID number 556059-9473, hereby present the annual accounts, including the Corporate Governance Report, for the 2012 financial year.

12.8%
return on
shareholders'
equity

THE OPERATIONS The company's mandate

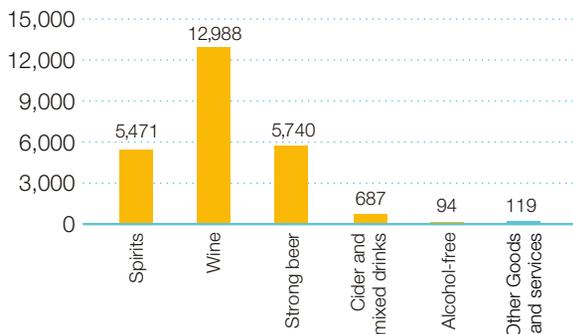
Systembolaget AB is a limited company that is wholly-owned by the Swedish State and which conducts retail sales of spirituous drinks, wine and strong beer in Sweden. Systembolaget's mandate – to help improve public health by limiting the harmful effects of alcohol – is achieved in a number of different ways. The implementation of clear selling rules to ensure that sales are conducted responsibly is an important part of Systembolaget's mandate. The interaction with the customer also incorporates clear customer promises and the company's role also includes sharing its expertise on a healthier approach to alcohol consumption. Limiting total alcohol consumption by limiting the availability of alcohol by means of control over the number of retail outlets and opening hours is another

important part of the company's mandate. Systembolaget's operations are based on a clearly defined social responsibility, and not on profit maximisation, which is one important difference between Systembolaget and other retail sector companies, whose goal is often to maximise their profits wherever possible.

Organisation

The operations are conducted via 421 retail outlets in Sweden. A new store was opened in Knivsta in January 2013, and there is consequently now a Systembolaget store in all of Sweden's 290 local authority areas. There are also, in addition to the stores, approximately 500 agents throughout Sweden from whom the customers can order goods for collection. The Group's operations are conducted through Systembolaget AB and the wholly owned subsidiary companies, IQ-initiativet AB, AB K14 Näckströmsgatan and Gamla Distribution i Jordbro AB. IQ-initiativet works to provide information and shape public opinion in order to prevent and reduce alcohol-related harm. K14 Näckströmsgatan manages Systembolaget's operating properties. Gamla Distribution i Jordbro is currently dormant. Systembolaget AB is wholly-owned by the Swedish State and there are a total of 360,000 shares.

Sales by product group, Million SEK



Significant events in 2012

2012 has been an eventful year during which we continued to focus on customer service. The year saw further development of our digital channels. This took the form of, amongst other things, the launch of a digital advice service called "What goes with this?" and a new blood alcohol content app, "Promillekoll", which is aimed at young people and

makes it easier for them to make informed choices and not drink too much. Systembolaget has also improved its service offering with the launch in July of an option that allows customers to order just over 350 more local and small scale-produced drinks from 75 suppliers. These products can be collected at the store of their choice throughout Sweden.

A home delivery trial began in November and December in Sollentuna, Bromma, Johanneshov and Nacka. Sales are conducted in the same responsible way as in-store, with mandatory proof of age checks and detailed regulations designed to ensure that alcohol is not handed over to anyone who is under the age of 20, who is intoxicated, or who we suspect may be involved in illicit supply of alcohol. Systembolaget has continued its work on its customer promise and on communicating it clearly to our customers: 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. The majority of Systembolaget's employees met up in 27 different locations across Sweden in September for a series of training days focusing on the customer promise and in order to learn from each other in this respect.

Extensive developmental work on leadership has also been conducted during the year for store and group managers with the aim of further improving our customer interaction. The goal is for our management style to be characterised by passion and personal responsibility. The development work took the form of practical exercises and theoretical lessons.

Systembolaget does not, as of 2012, prepare any Consolidated Accounts. Lagen Distribution AB was sold in 2010 and the remaining subsidiary companies are of no material significance financially in relation to Systembolaget as a whole and there is, hence, no need to prepare Consolidated Accounts. The Sustainability Report is not, however, limited to the Parent Company and the units over which the reporting organisation has control or a controlling influence over are included in the GRI Report.

Systembolaget won an arbitration process against a supplier, Philipson Söderberg, during the year. The dispute was initiated by Philipson Söderberg in 2011 and referred back to the corruption scandal in the early part of the new millennium when it

emerged that certain suppliers, including Philipson Söderberg, had bribed store managers in order to gain a competitive advantage. The arbitration tribunal ruled that Systembolaget was entitled to terminate a number of purchasing agreements with Philipson Söderberg in response to these bribery offences. The arbitration tribunal consequently dismissed Philipson Söderberg's claim for damages and ordered Philipson Söderberg to compensate Systembolaget for its legal costs incurred by the case.

Systembolaget brought a suit requesting that the arbitration ruling announced in February 2012 with regard to a dispute between V&S Vin & Sprit AB (now known as The Absolut Company AB, which is part of the Pernod Ricard corporate group) and Systembolaget be ruled invalid and overturned. This appeal suit has been submitted to the Svea Court of Appeal and a ruling is expected in 2013.

The Opinion Index, which is measured every month, yielded an index figure of 71 per cent in 2012, corresponding to a year-on-year rise of 3 per cent and to the highest yearly index value achieved since measurements began in 2011. The way in which Systembolaget carries out its public health mandate was the main reason given by the public for wishing to retain Systembolaget.

Work on ensuring that people under the age of 20 are unable to buy alcohol from Systembolaget's stores and agents continues to be successful. Age verification checking is monitored regularly by means of external control purchases by people between the ages of 20 and 24. In 2012, proof of age was requested in conjunction with 95 per cent of these control purchases, corresponding to an improvement of 1 per cent since 2011. This high and consistent level is confirmation that Systembolaget's long-term work in this area is working well.

Customers

The number of customer visits to Systembolaget's stores increased by 0.8 per cent in 2012 to 118.4 million. The number of visits to the systembolaget.se website also increased by 24 per cent to 21 million, while the Search & Find app was used 7 million times. The interaction with customers in stores plays a large part in determining customers' views of Systembolaget. The Customer Satisfaction Index (CSI), which is measured and reported quarterly, measures how satisfied customers are with

Systembolaget. The CSI in 2012 was 81 – our highest ever figure – on a scale of 0-100.

Systembolaget is constantly endeavouring to improve its interaction with its customers, whether that interaction occurs in stores, in the digital channels, or via our Customer Service Department. All employees must be able to live up to our customer promise.

A new product range model will be implemented that gives every store a product range that is more closely adapted to customer demand there. Work in 2012 in this area has focused on planning and developing tools and processes and the new product range will reach the stores in September 2013.

Interest in the alcohol-free range continues to grow and sales rose sharply during the year. This is a trend that Systembolaget is keen to promote still further and we can now offer a range of 37 (33) alcohol-free items as part of the fixed product range.

Sales of organic products remained on a par with levels in 2011 and now account for 3.2 per cent of total sales by litre. There are currently 130 (131) organic items in Systembolaget's fixed product range.

Sales

Systembolaget sold 461.8 million (458.3 m) litres of drinks in 2012 corresponding to a year-on-year increase of 0.8 per cent. Sales of alcohol-free drinks increased by 31.8 per cent to 2.2 million litres, while sales of wine increased by 1.8 per cent to 194.5 million litres and sales of strong beer increased by 0.2 per cent to 227.6 million litres. Sales of spirituous drinks fell by 0.4 per cent to 19.3 million litres and sales of cider and mixed drinks fell by 4.8 per cent to 18.2 million litres. Recalculated as pure alcohol, total sales increased by 0.7 per cent to 46.0 million litres. Total alcohol consumption in Sweden has fallen in recent years according to the Monitor survey conducted by SoRAD in collaboration with experts who monitor the Government's ANDT strategy. This trend continued in 2012 at the same time as Systembolaget's market share increased, which means that an increased share of the total amount was sold under controlled circumstances. Swedish alcohol consumption levels are amongst the lowest from a European perspective, at just over 9 litres of pure alcohol per head of population aged 15 and above. The average alcohol consumption

level within the EU, calculated as pure alcohol, is approximately 14 litres. (*Alcohol in the European Union, Consumption, harm and policy approaches, WHO 2012*).

Operating profit

Systembolaget's operating profit for 2012 totalled SEK 270 million (SEK 159 m), corresponding to a year-on-year increase of SEK 11 million. The gross profit increased by 2.8 per cent to SEK 3,201 million (SEK 3,115 m) while the trading margin including alcohol tax was 12.8 per cent (12.8%). Selling costs fell to SEK 2,428 million (SEK 2,478 m). The reduction was primarily due to the fact that the profit for 2011 included a cost of SEK 57 million in connection with the arbitration proceeding against V&S Vin & Sprit AB and interest on a write-down of intangible assets totalling SEK 35 million. Personnel costs increased during the year by SEK 50 million and administrative costs increased to SEK 523 million (SEK 484 m). The operating margin increased to 1.1 per cent (0.7%). The way in which selling and administrative costs are classified was changed during the year, which has affected the comparison figures for 2011.

Net financial items and pre-tax profit

The pre-tax profit totalled SEK 248 million (SEK 278 m). Net financial items totalled SEK 58 million (SEK 119 m). Systembolaget received a dividend payment from Gamla Distribution i Jordbro of SEK 77 million in 2011. Net financial items from the interest portfolio and from cash and cash equivalents totalled SEK 51 million (SEK 42 m) with the increase primarily due to falling market interest rates and the consequent increase in the value of financial investments.

Cash flow

The cash flow from operating activities totalled SEK 574 million (SEK 343 m). The cash flow from investment activities totalled SEK -318 million (SEK 138 m). Net investments in financial assets totalled SEK -186 million (SEK 287 m), while net investments in tangible and intangible fixed assets totalled SEK -132 million (SEK -226 m).

Financial position

Shareholders' equity on 31 December 2012 totalled SEK 1,411 million, corresponding to an increase of

SEK 21 million since 31 December 2011. The change was caused by the reduction in the profit resulting from the dividend paid to the owner. The equity/assets ratio was 27.4 per cent (27.6%).

The owner's target figure and trading margin

The return on shareholders' equity during the most recent twelve-month period was 12.8 per cent (15.6%). The Owners' Directive states that the long-term profit shall correspond to a return on shareholders' equity that exceeds the average ten-year government bond interest rate by 4 percentage points. The required return for 2012, according to the Owner's Directive, totalled 5.6 per cent. The owner's target figure is calculated on the basis of the Group's Balance Sheet and Income Statement, and since Systembolaget no longer, as of 2012, prepares Consolidated Accounts, the result is based on the Parent Company alone – and hence the substantial difference. Systembolaget does not, as a company, attempt to maximise its profit and if the long-term return exceeds the owner's requirement, it shall benefit the customers in the form of a reduced trading margin. The trading margin (excluding alcohol tax) has been gradually reduced since 2000 and has never been as low as it was in 2012. The Board endeavours to balance the trading margin at all times such that the resources required for the company's development are secure while, at the same time, ensuring that the customers benefit from the increases in efficiency. The Owner's Directive states that the equity/assets ratio shall be approximately 35 per cent. The result for 2012 was 27.4 per cent (27.6%), and here, too, the difference is explained by the fact that the owner's goal is set at Group level.

Sustainability

Systembolaget has chosen to apply the ten principles of the UN Global Compacts initiative with regard to human rights, labour conditions, the environment and anti-corruption as the framework for its CSR work. Systembolaget has, in accordance with the environmental plan adopted in 2011, focused on an internal programme of work aimed at reducing our negative environmental impact. The emphasis during the work in 2012 was on packaging, waste management and reducing our internal energy consumption. Systembolaget has also set clear goals for the future with regard to the percentage of organic products we carry. The year ahead will see the focus shifted back up the supplier chain to transport, production and cultivation.

Sustainability work in the supplier chain

In 2011, Systembolaget adopted a Code of Conduct produced by BCSI. The Code of Conduct has been included in our general purchasing terms and conditions for alcoholic drinks since 1 January 2012 and applies to all suppliers of alcoholic drinks. Work during the year has focused on registration of suppliers in BSCI's database and on providing Code of Conduct training for our suppliers. Systembolaget has also adopted an audit plan for the drinks supplier chain for the period from 2012 to 2014 with the aim of reinforcing and securing producers' compliance with the Code of Conduct in the countries defined by BSCI as risky countries.

Financial position in relation to the Owner's Directive and financial requirements

%	2012	2011	2010	2009	2008
Return on shareholders' equity	12,8	15,6	14,6	27,3	46,3
Target figure, as per the Owner's Directive*, %	5.6	6.6	6.9	7.2	7.9
Equity/assets ratio, %	27.4	27.6	28.4	31.1	30.1
Target figure, as per the Owner's Directive*, %	35	35	35	35	35
Dividend as a percentage of the profit after tax, %	50	71	135	85	113
Target figure, as per the Owner's Directive, minimum, %	50	50	50	50	50

* The owner's target figures will be revised in 2013 as Systembolaget no longer prepares Consolidated Accounts.

RISKS AND UNCERTAINTY FACTORS

Systembolaget's risk management work is based on an annual risk analysis carried out for the operations as a whole. Eight operating risks have, over and above financial risks, been identified and prioritised on the basis of significance and probability – the so-called key risks.

Financial risks

The financial risks, such as interest, credit and liquidity risks, are limited. Systembolaget is self-financing, thanks to a high rate of stock turnover that matches purchasing and payment terms. Systembolaget has no interest-bearing liabilities. All sales are made for payments in cash or by credit card and Systembolaget hence has no significant accounts receivable. Systembolaget's product purchases are made in Swedish kronor and the drinks suppliers are responsible for the import of alcoholic drinks and reporting alcohol tax. The company has very little exposure to currency and exchange rate risks. The financial risk management is steered by Systembolaget's financial policy.

Operating risks

A general operating risks analysis is carried out every year within Systembolaget. Risk is defined as "an event or activity that prevents Systembolaget from achieving its goals". The risk analysis identifies risks in relation to Systembolaget's goals, the most important of which relates to our social responsibility. Systembolaget accepts its responsibility for human rights, labour conditions, the environment and corruption, and CSR-risks are, therefore, also included in the general operating risks analysis.

The 2012 risk analysis identified twenty or so significant risks that have been prioritised with regard to significance and probability. Eight of the risks identified have been classified as key risks, which means they have a relatively high significance level and are adjudged to be critical.

The eight key risks fall within four overall risk categories – external risks, operating risks, IT risks, and sales and supply chain risks.

- External risks – risks that arise through changes in the world outside Systembolaget. Systembolaget has no control over these risks but must adapt its behaviour in line with them as well as manage them. Five of the key risks identified are external risks: a lack of clarity in the supervisory bodies' bases for assessment; a lack of prioritisation of the work with alcohol, narcotics, doping and tobacco issues; negative public opinion due to deficient CSR work; additional retail channels being approved; and operators being allowed to sell alcohol online.
- IT-risks – deficiencies in access and/or IT operations.
- Selling risks – a failure to comply with selling regulations in our selling channels.
- Supply chain risks – Systembolaget is accused of discriminating against suppliers.

Risk management work

The control structure of the risk management work is based on the risk analysis. Overall responsibility for risk management has lain with the Controller unit since 2010. Each unit has a clearly defined responsibility for their ongoing risk monitoring work. Responsibility for managing the key risks identified was allocated to the departments in conjunction with the operational planning work for 2013. Many of the company's risks are otherwise prevented and managed during the course of our day-to-day routines. The In-house Control Programme and the Self-Assessment Survey are the tools used to monitor the risk management work and ensure that it is conducted in a satisfactory manner. The Controller unit conducts a systematic and analytical review of the stores' risks every year. The review forms the basis for targeted reviews of stores and units and, where relevant, for other types of control, such as control inventories. The internal audit, which is conducted by an external company, is designed to review and evaluate Systembolaget's operations, including the ways in which identified risks are managed.

THE CORPORATE GOVERNANCE REPORT

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

Corporate governance principles

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

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

The owner

Systembolaget's agreement with the State and the Owner's Directive, in which the owner's requirements of the company are specified, constitute the starting point for the work and responsibilities of the Board of Directors. The agreement and the Owner's Directive specify the bases for the company's operations with regard to the social mandate, the requirement for financial efficiency, and any other requirements with regard to the company's activities. The owner determines the objective of the company's operations through the Articles of Association.

Systembolaget's mandate is to contribute to the reduction of the harmful effects of alcohol. Systembolaget holds a monopoly on retail sales of spirits, wine, strong beer and other fermented alcoholic beverages in Sweden. Find out more about Systembolaget's mandate and the owner's objectives on pages 6–7, 48–49 and 52–53 of Part 1 of the Responsibility Report.

For additional information

Swedish Corporate Governance Code: bolagsstyrning.se

The State's ownership policy: regeringen.se

The agreement between Systembolaget and the State, the Owner's Directive, and the Articles of Association: systembolaget.se

Deviations from the Code

Systembolaget applies those sections of the Swedish Corporate Governance Code that are relevant to the company with the following deviations:

Code regulation	Deviation	Explanation/Comments
1.1 Publication of information on the shareholder's right of initiation	Not published	The aim of this regulation is to give the shareholders plenty of time to prepare for the Annual General Meeting and to have issues included in the notice convening the Annual General Meeting. There is no reason to observe this regulation, in a wholly State-owned company.
2 The company shall establish a Nomination Committee to represent the company's shareholders in conjunction with the election and determination of remuneration of the Board of Directors and Auditors of the company.	No Nomination Committee has been established	The preparation of nomination issues in State-owned companies is carried out by the Government in the manner detailed in the State's ownership policy.
10.2 The reporting of the independence of Members of the Board in relation to major shareholders.	Not reported	The Code Regulation in question is primarily intended to protect minority shareholders in companies with diverse ownership, and hence is not relevant for a wholly State-owned company.

Dialogue meetings are held on a rolling basis (approximately once a month) between the owner and Systembolaget's Chairman of the Board. Systembolaget's President also attends some of these meetings. Areas addressed during the year include the work of the Board of Directors, the Annual General Meeting, the Commission examining the management by the owner of the state-owned companies, and the Commission for the supervision of marketing and e-commerce with regard to alcoholic beverages etc. The home delivery trial, changes to the agreement between Systembolaget and the State, and training activities for all employees in 27 different locations nationwide have also been discussed at these dialogue meetings. The owner exercises its rights as a shareholder at the Annual General Meeting.

The Annual General Meeting

The Annual General Meeting shall, under the terms of the State's ownership policy, be held no later than 30th April every year. Members of Parliament are entitled, upon application, to attend the Annual General Meeting and the general public shall also be afforded the opportunity to attend.

The Board of Directors is responsible for issuing a notice convening the Annual General Meeting to the shareholder no later than four weeks and no earlier than six weeks before the Meeting.

The 2012 Annual General Meeting

The 2012 Annual General Meeting was held on 19 April 2012 in Stockholm and was open to the public. The Annual General Meeting was broadcast live on Systembolaget's website. The owner was represented by Assistant Undersecretary of State, Gunilla Malmborg, from the Ministry of Health and Social Affairs.

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

- re-election of Cecilia Schelin Seidegård as Chairperson of the Board
- re-election of the following Members of the Board: Thord Andersson, Sven Andréasson, Johan Gernandt, Carl B Hamilton and Kerstin Wigzell
- election of Crister Fritzson and Mona Sahlin as Members of the Board
- Directors' fees payable and fees payable to members of the company's Board-appointed committees and Auditors
- approval of the "Guidelines for terms of employment for senior executives of Systembolaget AB" proposed by the Board of Directors"
- adoption of the Income Statement and the Balance Sheet
- allocation of the company's profits
- Granting of discharge of liability for the Board of Directors and the President

Responsibility for corporate governance within Systembolaget



The Minutes of the Annual General Meeting are available on Systembolaget's website.

The 2013 Annual General Meeting

The 2013 Annual General Meeting will be held on 25 April 2013 in Stockholm. Notices convening the Annual General Meeting will be issued in March of that year.

The nomination process for the Board of Directors

The appointment of the Board complies with the nomination process described in the State's ownership policy. The nomination process is coordinated by the State Ownership unit of the Ministry of Finance. A working group analyses the skills requirement on the basis of the company's operations, situation and future challenges, and the existing composition of the Board.

To be considered for a seat on the Board, individuals must not only possess high-level competence in the relevant commercial sphere, expertise in commercial development, industry know-how, and extensive familiarity with financial issues or other relevant areas, they must also display a strong sense of integrity and the ability to work in the best interests of the company. The selection is made from a broad recruitment base.

The Board of Directors

Systembolaget's Board of Directors is responsible, under the provisions of the Swedish Companies Act, for the organisation of the company and the administration of the company's affairs. According to the State's ownership policy, the Board of Directors in companies where the State has an ownership interest shall ensure that the companies are operated in a model way within the scope of the legislation, the company's Articles of Association, the owner's instructions and the State's ownership policy.

Composition of the Board

The Articles of Association prescribe that the Board of Directors shall comprise a minimum of six and a maximum of eight Members appointed by the

General Meeting. The employee organisations are also entitled to appoint Members of the Board. The State's ownership policy states that the composition of the Board shall be such that the Board at all times possesses the industry know-how and expertise that is directly relevant to the company, including the know-how and expertise required when the company develops or the outside world changes. The composition of the Board shall be such that a balance is achieved with regard to background, areas of expertise, experience and gender breakdown. The State's ownership policy states that the goal with regard to gender breakdown shall be at least 40 per cent of both sexes.

Systembolaget's Board of Directors in 2012 comprised eight Members elected by the Annual General Meeting. Three of these Members were women and five were men. The Board also includes two employee representatives with two Deputy Members appointed by the employee organisations. None of the Members of the Board are part of the company's management. For further information on the Members of the Board and their attendance at Board Meetings, see pages 11, 18 and 19.

Systembolaget's Board of Directors has a broad composition with regard to industry know-how and insight into the external issues that influence the company's development. The President, Vice Presidents and CFO attend Board Meetings. The remaining members of the company's management also attend certain meetings as required. Systembolaget's Senior Legal Counsel, who is a member of the management, is the Secretary to the Board.

The Chairperson of the Board

The Chairperson shall, pursuant to the provisions of the Swedish Companies Act, lead the work of the Board and ensure that the Board carries out its duties. The Code states that the Chairperson of the Board shall also be responsible for ensuring that the work of the Board is well organised and efficient, for contacts on ownership-related issues, for ensuring that the Board receives sufficient information and source data on which to base its decision-making work, for working

with the President to set the agenda for the Board Meetings, for checking that the Board's decisions are implemented, and for ensuring that the work of the Board is evaluated annually.

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

The work of the Board

The Board has adopted a formal work plan which specifies how the work is to be divided between the Board, the owner, the committees and the President. The work plan is reviewed annually and was adjusted and adopted in 2012 at the Meeting held by the newly formed Board in April. The work plan states that the Board, as a rule, shall hold at least five meetings per financial year in addition to the Board Meeting that is held following elections.

The Board should, in accordance with the work plan, coordinate its position with representatives of the owner with regard both to major strategic operational changes, major acquisitions, mergers or disposals, and to decisions that entail a significant change to the Balance Sheet or risk scenario for Systembolaget. There is no division of the Board's work between the Members of the Board, other than that of the committees listed in this Corporate Governance Report.

The Board is ultimately responsible for the administration of the company and draws up the strategic plan, the business plan, the budget, etc. The Board also adopts a number of company-wide policy documents based on, amongst other things, legislative and regulatory requirements and the Owner's Directive.

A collection of documents (laws, steering documents etc., for Systembolaget AB) has been prepared to support the Board in its work. The collection includes certain legislative texts pertaining to the operations, documents issued by the EU, company-related documentation, owner-related documentation and agreements, investment regulations, the strategic plan,



Systembolaget's Code of Conduct, policies, internal guidelines and regulations, and information on Systembolaget's subsidiaries.

Conflicts of interest within the Board are avoided in accordance with the requirements specified in the Swedish Companies Act (ABL 8:23). All Members of Systembolaget's Board of Directors work actively with the issues that it is incumbent upon the Board to address and otherwise with the issues referred to it for consideration. The Board meets annually with the company's auditors. For further information on the contacts of the Board of Directors and the Chairperson of the Board with the company's auditors, see "Monitoring," page 17.

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

The Board establishes the long-term orientation of Systembolaget in a strategic plan. The strategic plan extends four years forward in time and is revised every third year. Wide-ranging work on a new strategic plan for Systembolaget began in the autumn of 2008 and continued into the spring of 2009. The plan, which is based on an analysis of the outside world, was finally adopted at the Board Meeting in September 2009 and applies to the period from 2010 to 2013. Systembolaget's mandate, vision and business concept were also

slightly reformulated in conjunction with this work. The strategic plan also contains long-term goals which are based on the perspectives contained in Systembolaget's balanced scorecard, which forms an important basis for the management of Systembolaget. The scorecard's five perspectives are:

- Society
- Customers
- Personnel
- Suppliers
- Owners (and financial)

A number of key performance indicators within each perspective constitute quantitative goals for the coming four-year period and are also broken down by year in the business plan. The Board of Directors receives regular feedback on the strategic key performance indicators. The annual business

plans are designed to provide a clear link to the strategic plan and to facilitate the management of various projects and activities on the basis of the strategic goals.

The work of the Board in 2012

The Board held a total of eleven Board Meetings in 2012, one of which was an extraordinary Board Meeting. The Members' presence at the Meetings is shown in the table on page 11. The usual follow-up work, both on the company's economic performance and on the social and environmental aspects that arose during the course of the operations has been carried out on an ongoing basis by the Board. This follow-up work has taken the form of, amongst other things, the reporting of a number of strategic key performance indicators, such as the Opinion Index (OPI), Age Verification Checks, the Customer Satisfaction Index (CSI),

Present at Board Meetings and committee meetings in 2012

Name	Board function	Board meetings ¹	Audit Committee ²	Remuneration ²
Cecilia Schelin Seidegård ³	Chairperson	11/11		4/4
Gert Karnberger ⁴	Deputy Chairperson	2/2	2/2	
Kerstin Wigzell ⁵	Member/Deputy Chairperson	10/11	5/5	4/4
Sven Andréasson	Member	8/11		
Johan Gernandt	Member	10/11		
Annika Nilsson ⁶	Member	2/2	2/2	
Carl B Hamilton	Member	8/11		
Thord Andersson ⁷	Member	11/11	3/3	
Mona Sahlin ⁸	Member	3/9		
Crister Fritzson ⁹	Member	8/9	3/3	
Maj-Britt Eriksson ¹⁰	Employee representative	6/7		
Anna Holgersson	Employee representative	10/11		
Berit Morén ¹¹	Employee representative	9/11		
Maria Åström ¹²	Employee representative, Deputy	9/11		
Karin Larsson ¹³	Employee representative, Deputy	4/4		

¹ Ten ordinary and one extraordinary Board Meetings were held in 2012

² Five meetings of the Audit Committee and four meetings of the Remuneration Committee were held in 2012.

³ Chairperson of the Remuneration Committee.

⁴ Resigned at the AGM on 19 April.

⁵ Deputy Chairperson as of the AGM on 19 April. Member of the Audit Committee and the Remuneration Committee.

⁶ Resigned at the AGM on 19 April.

⁷ Elected a member of the Audit Committee at the AGM on 19 April.

⁸ Elected a Member at the AGM on 19 April.

⁹ Elected a Member at the AGM on 19 April. Chairperson of the Audit Committee.

¹⁰ Resigned on 30 June.

¹¹ Deputy Member until 1 July when she was elected as an Employee representative.

¹² Resigned on 31 December.

¹³ Elected as a Deputy Member as of 1 July.

and the operating margin, as well as Board memoranda on topical issues. In February, the Board met with the company's auditors, without the presence of the management, as prescribed by the Code. Collectively, this information has afforded the Board the opportunity to monitor the operations' results on an ongoing basis, as well as its results in the field of sustainable development.

Aside from the ongoing monitoring of strategic key performance indicators, the issues addressed by the Board included

- following up the work on risk reporting and internal audits
- response to proposal referred for comment regarding the Commission on ownership – a proposal for a new form of corporate governance for state-owned companies (SOU 2012:14)
- Commission for the supervision of marketing and e-commerce with regard to alcoholic beverages etc.
- the Responsibility Report
- real estate issues
- external analyses
- training activities for employees at 27 different locations nationwide
- the development of the e-channel and digital channels
- the new product range model
- locally produced goods and goods in local demand
- the home delivery trial
- changes to the agreement with the State
- the farm shop sales issue
- ongoing litigation
- the alcohol-free range
- CSR (including CSR training for the Board)

Directors' fees and fees for work on the Board-appointed committees

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

Evaluation of the work of the Board

The Code, the State's ownership policy and the formal work place for the Board of Directors all mandate that the Board shall, by means of a systematic and structured process, carry out an annual evaluation of the Board. It shall be incumbent upon the Chairperson of the Board to ensure that such evaluation work is carried out. The evaluation addresses both the processes employed in the Board's work and the performance of the Board itself with regard to a variety of issues, including the way in which the Board handles relevant themes and issues, such as financial, environmental and social issues. This year's evaluation took the form of questionnaires completed by the Board.

The evaluation shows that the Board works very expediently, but that there are some developmental areas where work is required. In December 2012, the Chairperson of the Board notified the Government Offices of Sweden of the results of the evaluation, in accordance with the State's ownership policy. In addition to the Board's own evaluation, evaluations of the Boards in State-owned companies are conducted on an ongoing basis as part of the Government Offices of Sweden's internal work on the nomination process.

Audit Committee

Composition

The Audit Committee has, since the Board Meeting following election in April 2012, comprised the Deputy Chairperson of the Board, Kerstin Wigzell, and Board Members Thord Andersson and Crister Fritzson (Chairperson of the committee). The committee members prior to the Board Meeting following election were Gert Karnberger, Annika Nilsson and Kerstin Wigzell. None of the members of the Audit Committee are part of the company's management. Systembolaget's President and its CFO, however, participate in the Audit Committee's meetings and Systembolaget's Senior Legal Counsel is the Secretary to the Committee.

Responsibilities

The Audit Committee is a preparatory body for the Board and does not otherwise assume or influence the responsibilities and duties of the Board, nor does the work of the Committee reduce the requirement for communication by the Auditors to the Board as a whole. The Audit Committee is responsible for preparing the work of the Board with regard to the quality control of Systembolaget's financial and operational reporting. The Audit Committee is, furthermore, tasked with monitoring the financial reporting and the effectiveness of Systembolaget's internal controls, internal auditing and risk management.

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

The work of the committee in 2012

The Audit Committee has held five meetings during the year. The members' attendance at the committee's meetings is shown in the table on page 11. The Committee carried out ongoing follow-up work on the company's financial performance and a number of strategic key performance indicators of its operations. Systembolaget's auditors have also

presented significant accounting and audit issues, as well as internal control and process issues.

Issues in connection with such subjects as internal audits, risk analysis and the responsibility report have also been addressed by the Committee. The Committee's Chairperson provided the Board of Directors with regular information on the Committee's work.

Remuneration Committee

Composition

The Remuneration Committee consists of the Chairperson of the Board, Cecilia Schelin Seidegård, and Member of the Board, Kerstin Wigzell. Systembolaget's President attends the Committee's meetings. None of the members of the Remuneration Committee are part of the company's management.

Responsibilities

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



The President: Magdalena Gerger

Born: 1964. Magdalena Gerger took over as President of Systembolaget in May 2009. Her previous positions include those of Marketing Director at Arla Foods, Divisional Manager within Nestlé Ltd., and Marketing Director of ICI Paints Ltd.

Other directorships: Member of the Royal Swedish Academy of Engineering Sciences (IVA), Member of the Boards of Inka Holding BV (IKEA) (resigned in 2012), Husqvarna AB, Kungsträdgården Park & Evenemang AB, the Research Institute of Industrial Economics, and the Swedish Institute for Quality (SIQ).

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

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

after preparation by the Remuneration Committee.

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

The work of the Committee in 2012

The Remuneration Committee held four meetings during the year. The members' attendance at the committee's meetings is shown in the table on page 11. The Committee has conducted an evaluation of current guidelines with regard to terms of employment for senior executives within Systembolaget and has confirmed in conjunction therewith that the guidelines are being followed. The committee also developed draft guidelines for employment of senior executives of Systembolaget AB and addressed issues relating to car allowances, salary reviews and employment for the new director.

The President and senior executives

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

Systembolaget's management and steering structure

Since February 2012, Systembolaget's management has comprised, in addition to the President, of

eight persons appointed by the President in consultation with the Board of Directors. Since February 2012, however, when the Quality Director resigned, the company management including the President comprises eight persons in that the Purchasing Director is also the Acting Communication Director. A new Director, the Senior Legal Counsel, has been recruited during the year. For additional information on the company management and organisation structure, see pages 20 and 21.

The company management meets regularly (approximately twice a month) and the work is headed up by the President who, in consultation with the management, takes decisions in relation to the operating activities.

The decisions by the President and the management are based on the guidelines and instructions adopted by the Board of Directors and it is on this basis that the President and management compile source data for the various managers within Systembolaget. These source data delimit the scope of the operating activities in the form of internal steering documents, such as guidelines, internal regulations, and process and information models, etc.

Guidelines for senior executives' terms of employment

Systembolaget follows the Government's guidelines on terms of employment for senior executives in State-owned companies. Systembolaget also complies with the normative provisions in the Code on remuneration for senior executives, which stipulate that the company shall have formalised and published processes for deciding on the remuneration payable to senior executives.

Assessment of the President

The Board shall, under the provisions of the Code, carry out a continual assessment of the President's performance. The assessment of the President's performance took place in the autumn of 2012 under the leadership of the Chairperson of the Board and with the assistance of an consultancy firm, and examined the following components of the President's performance,

amongst others: achievement of targets, media analysis, internal and external relationships with the President, methodology and personal characteristics, and interviews. The assessment revealed that the President works expediently and has also continued to grow into her role. The results of the assessment were also good in terms of the achievement of targets and media analysis and showed that the Board of Directors has considerable confidence in the President and that the relationship between the President and the Chairperson works well.

Corporate Social Responsibility

The State's ownership policy states that state-owned companies shall act as a role model in the CSR sphere. This sphere includes areas such as the environment, human rights, labour conditions, anti-corruption and business ethics, and equal opportunities and diversity. See pages 8-9 of Part 1 and the In-depth GRI Report for details of Systembolaget's work with these issues.

External audit

The auditor shall, under the provisions of the Swedish Companies Act, audit Systembolaget's annual accounts and bookkeeping, and the administration by the Board of Directors and the President. The auditor is engaged by and reports to the General Meeting and may not allow him- or herself to be guided by the management or the Board. The current firm of auditors – Ernst & Young AB – was appointed as the auditors of Systembolaget at the Annual General Meeting, with Public Authorised Accountant, Åsa Lundvall, as the auditor in charge for the period up to and including the 2013 Annual General Meeting. The Swedish National Audit Office has also, in accordance with a resolution dated 29 March 2012, appointed Authorised Public Accountant, Agneta Bergman and Authorised Public Accountant, Björn Sande, to act as auditors and deputy auditor, respectively, for Systembolaget up to and including the 2013 Annual General Meeting.

It was further announced at the Annual General Meeting that the Riksdag Board had, in accordance with a resolution dated 16th March 2011, appointed

three Lay Auditors, namely, Hans Backman, Christina Oskarsson and Maria Plass, and three Deputy Lay Auditors for Systembolaget for the period up to and including the next Annual General Meeting (all new elections). A separate resolution at the 2012 Annual General Meeting approved the payment of auditors' fees to the current firm of auditors, Ernst & Young.

Internal control

The annual risk analysis forms the basis for the internal control. See page 16 for a complete description of the risk analysis, which forms the basis for both the proactive risk management work and for the verification work. Systembolaget has established formalised processes for internal and external reporting in order to achieve and maintain a high standard of internal control, with the aim, thereby, of enabling optimum monitoring of the operations.

Systembolaget has produced manuals and descriptions of all important procedures to ensure that the administration is carried out to a high standard. The Board and management monitor compliance with steering documents, process descriptions and guidelines, and the efficiency of the procedures for control. The internal risk management activities are followed up by means of an internal audit, which has been procured from outside the company. The internal audit reports directly to the Board.

A review programme, based on the risk analysis, is set up every year by the Board of Directors. The areas reviewed in 2012 were the purchasing process for alcoholic drinks, IT accessibility, and monitoring of the store establishment process and the selling operations of agents. No serious deficiencies were identified. The results of the review are reported continuously to the company management and the Board of Directors and the observations are evaluated. Measures have been implemented or planned where necessary.

Description of the internal control of financial reporting

Systembolaget uses formalised processes for financial reporting and follow-up work. These

processes are important in ensuring that the company develops in the right direction in relation to the goals and guidelines adopted by the Board of Directors and management.

The objective of the internal reporting is to ensure the existence of an appropriate, quick and correct system for follow-up and reporting of the way in which the operations have developed in relation to the agreed business plan and budget. Reports on the company's development are submitted regularly to a number of internal stakeholder groups.

Systembolaget's external reporting is designed to provide regular reports on the company's development for a number of external stakeholder groups. The reporting complies with applicable legislative requirements and the requirements imposed by the owner. Systembolaget applies the so-called COSO model (Committee of Sponsoring Organizations of the Treadway Commission) as a framework for its internal control process.

The basis for internal control is the so-called control environment, which comprises the corporate culture communicated by the Board of Directors and the management and on which they base their activities. A good control environment generates the structure for the other components of the process, such as risk assessment, control activities, information and communication and monitoring.

Risk assessment

The assessment of the risk of errors in the financial reporting is carried out by the Board of Directors and the management, and as a part of day-to-day operations. The assessment of risk in connection with financial reporting is also influenced by the general control environment within Systembolaget. A risk analysis was also carried out in 2012 with regard to the quality of the financial reporting based on the risk of errors and their significance and probability. The risk analysis examined every item in the Balance Sheet and the Income Statement with regard to specific criteria, namely materiality, complexity, previous errors, and the potential for fraud.

Three significant risk areas were identified with regard to financial reporting:

- Inventories – risks have been identified in relation both to the inventorying of stocks and the adjustment of prices for the “Finished goods and goods for resale” item.
- Personnel-related items – Balance Sheet and Income Statement items in connection with staff overheads, such as holiday pay liabilities and pensions, as the items involve complex and subjective assessments.
- Changes in the value of financial assets – Balance Sheet and Income Statement items associated with financial assets entail risks related to the incorrect calculation and classification of changes in value. The Board of Directors has established a set of Investment Regulations in which permitted investments, risk management organisation, measurement of investment risks, approved counterparties and procedures for monitoring risks are clearly specified. The regulations are reviewed annually.

Control activities

The risks are managed via the company's control structures, which have been documented in process and internal control descriptions. One example of an important control structure is the strict application of the duality principle, whereby no one person alone shall administer the entire processing chain and two mutually independent institutions shall be used in conjunction with the valuation of financial assets.

Information and communication

Considerable emphasis has been placed on implementation and quality control of the internal communication process, with the aim of ensuring that information is disseminated in a structured way throughout the organisation. Established information and communication channels are designed to promote completeness and accuracy in the financial reporting. Steering documents in the form of internal policies, guidelines, manuals and codes for financial reporting are known to the relevant personnel and are available on Systembolaget's intranet.

Monitoring

The Board receives ongoing reports on the way in which the operations have developed in relation to the business plan, budget and established targets. The Board regularly monitors the results of the established internal control programmes.

The accounts department continuously monitors the administrative processes within the organisation, including processes relating to VAT and tax accounting, internal and external entertainment, and compliance with authorisation and delegation regulations. Financial reporting is also monitored continuously.

The Chairperson of the Board meets with the auditors in conjunction with the closing audit and when otherwise necessary. The entire Board meets with the auditors at the Board Meeting that addresses the annual accounts and in conjunction with the Annual General Meeting.

The Board of Directors



**Cecilia Schelin
Seidegård**



**Kerstin
Wigzell**



**Thord
Andersson**



**Sven
Andréasson**



**Crister
Fritzon**

	Cecilia Schelin Seidegård	Kerstin Wigzell	Thord Andersson	Sven Andréasson	Crister Fritzon
Board function	Chairperson Chairperson of the Remuneration Committee	Deputy Chairperson Member of the Remuneration and the Audit Committees	Member of the Board Member of the Audit Committee	Member of the Board	Member of the Board Chairperson of the Audit Committee
Born	1954	1945	1961	1952	1961
Principal education	PhD in biochemistry.	Behavioural and Social Sciences.	Sociologist and Market Economist.	Doctor of Medical Science, Professor of Social Medicine at the Karolinska Institute.	Market economist.
Other positions held	Chairperson of the Vårdal Foundation – for Health Care Sciences and Allergy Research, and of ClinTrials Skåne AB. Member of the Board of Fouriertransform AB.	Chairperson of the Board of the Stockholm Academy of Dramatic Arts. Member of the Boards of the Press Council, the National Swedish Police Board's Ethics Council, the Swedish Society for Medical Research, and Vice Chairperson of the Swedish Pensions Agency and Vice Chairperson of the Board of the Swedish Agency for Health and Care Services Analysis	Unit Manager for the Örebro Regional Development Council. Member of the Board of ALMI Invest.	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.	President of SJ.
Elected/ Appointed	Chairperson since 2008	2009	2011	2007	2012
Positions previously held	Hospital Director at Karolinska University Hospital, 2003–2007, Member of the Board of Karolinska Development AB, 2003–2008, President of Huddinge University Hospital, 2003. Member of the Board of Getinge AB, 2003. Vice President in charge of Global R&D Operations at AstraZeneca R&D, 1999–2003, Head of Clinical Research and other managerial positions within Astra Draco, 1989–1999.	Director General of the Government Offices of Sweden, Assistant Undersecretary at the Ministry of Health and Social Affairs, Director General of the Swedish National Board for Youth Affairs and the National Board of Health and Welfare, Director General of the National Swedish Social Insurance Board. Member of the Boards of WHO, the Swedish Council for Working Life and Social Research, and the Swedish National Council on Medical Ethics. Chairperson of the Swedish Council for Working Life and Social Research.	Chairperson of Örebro promotion, Chairperson of the Örebro District Marketing Association, Member of the Board of Svensk Kärnbränslehantering AB.		President and Member of the Board of Teracom Group, Chairman of the Board of MTB.
Board meetings	11 11	10 11	11 11	8 11	8 9
Meetings with the Audit Committee		5 5	3 3		3 3
Meetings with the remuneration committee	4 4	4 4			
Remuneration	215 TSEK	126 TSEK	116 TSEK	96 TSEK	93 TSEK
	Independent	Independent	Independent	Independent	Independent



Johan Gernandt	Carl B Hamilton	Mona Sahlin	Anna Holgersson	Karin Larsson	Berit Morén
Member of the Board	Member of the Board	Member of the Board	Employee representative	Employee representative Deputy Member	Employee representative
1943	1946	1957	1977	1958	1957
LL.B.	FPhD (Economics).	Social sciences programme, upper secondary school.	M.A. in Human Rights.	Nursing auxiliary, occupational therapy auxiliary and chiropodist.	Two-year upper secondary school course, Staff Nurse.
Lawyer and consultant at Advokatfirman Vinge. Chairperson of the Board of Governors of the Bank of Sweden. Chairperson of the Board of the Stockholm Chamber of Commerce Arbitration Institute. Chairperson of the Board of the Svenska Dagbladet Foundation.	Professor of International Economics at Stockholm University and the Stockholm School of Economics, 1991–2005, Member of Parliament, 2002–, Chairperson of the Parliamentary EU Council and Member of its Finance Committee, Member of the national party executive and party leadership group of the Swedish Liberal Party.	Member of the Board of the EXPO Foundation and Chairperson of the Anna Lindh Memorial Fund.	Employed as a member of the sales team since 2001. Chairperson of Systembolaget's 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.	Employed as a salesperson since 1989. Member of the Board of Systembolaget's Staff Association, Chairperson of the Salespersons' Club, Jönköping, Member of the Board of the Pension Foundation, Coordinating Work Environment Representative (SAMO) for Systembolaget.	Contact Representative, Chairperson of the Stockholm Managers' Club.
2007	2007	2012	2010	2012	2011
Lawyer and joint owner of Gernandt & Danielsson Advokatbyrå 1992–February 2009. Expert, Limited Companies Committee 1990–2000.	Undersecretary of State at the Ministry of Finance, Member of Parliament, 1991–93 and 1997–98, special commissioner, etc. Chief Economist, Handelsbanken, 1995–1999.	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.	—	—	—
10 11	8 11	3 9	10 11	4 4	9 11
96 TSEK	96 TSEK	66 TSEK	—	—	—
Independent	Independent	Independent	Employee representative	Employee representative	Employee representative

Company management



Magdalena Gerger

President

Born: 1964

Education: B.Sc. Economics and Business Administration and MBA, Stockholm School of Economics

Employed: 2009



Marie Nygren

Vice President, Purchasing & Supply Chain Director, Acting Communications Director

Born: 1965

Education: B.Sc. Economics and Business Administration

Employed: 2007



Mikael Wallteg

Vice President, Sales Director

Born: 1957

Education: Internally trained at executive level

Employed: 2001



Ulrika Bennich

CFO

Born: 1970

Education: B.Sc. Economics and Business Administration

Employed: 2011



Mattias Forsberg

IT Director

Born: 1972

Education: : B.Sc. Economics and Business Administration, B.Sc. Civil Engineering

Employed: 2011



Tobias Frohm

HR Director

Born: 1965

Education: Human Resources Specialist

Employed: 2011



Håkan Johansson

Real Estate Director

Born: 1957

Education: Market Economist

Employed: 2001



Malin Sandquist

Senior Legal Counsel

Born: 1972

Education: LL.B.

Employed: 2012

Organisation

Systembolaget's organisation is process-orientated, with responsibility for the principal processes lying with the Sales Operations Area and Purchasing and Supply Chain Management.

Purchasing and Supply Chain Management is responsible for:

- product range development
- the supply of goods from the supplier to the stores' shelves and the customers.

The Sales Operations Area is responsible for:

- operations and sales in the stores. Systembolaget's 421 stores are organised into 27 areas with between 10 and 17 stores in each area. Each area

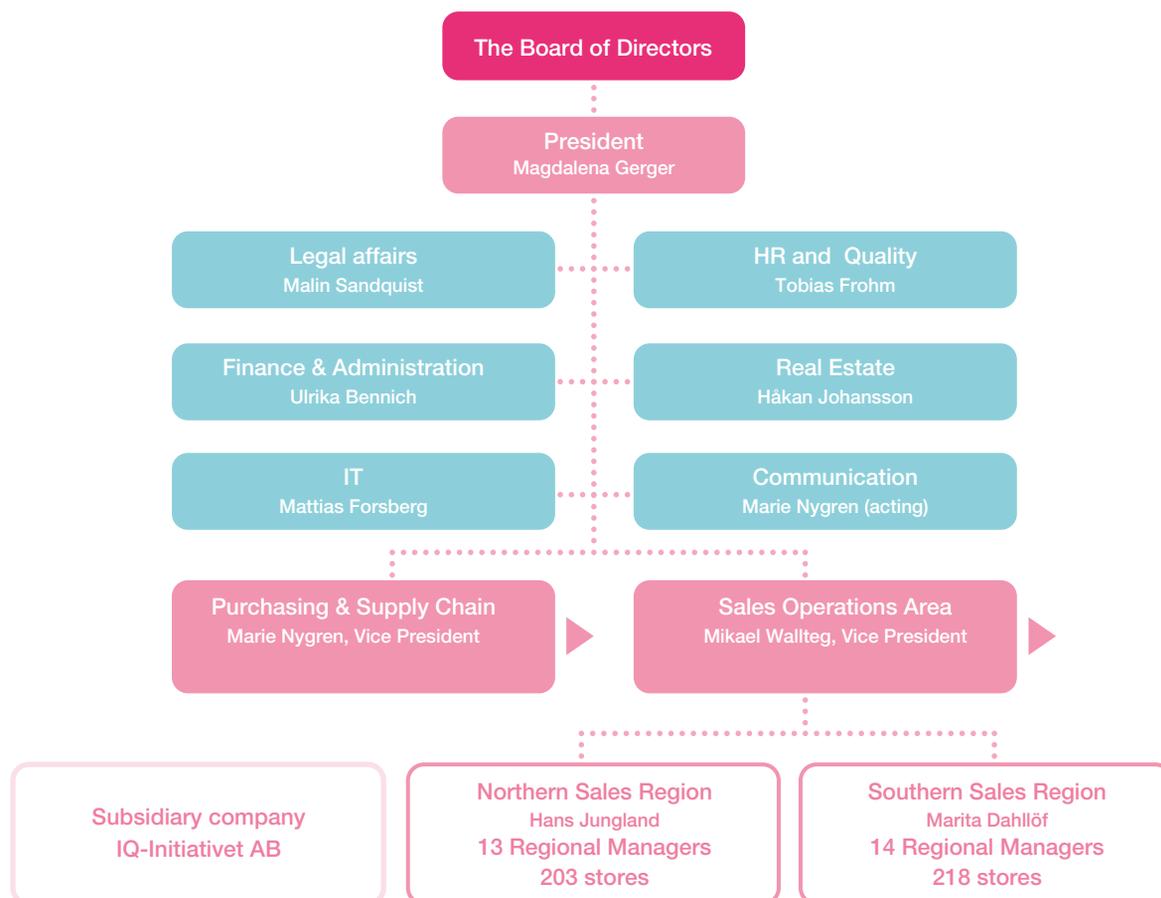
has a Regional Manager who is responsible for the day-to-day contacts between his or her store managers and Systembolaget's Head Office.

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
- communication and recruiting and developing employees
- legal issues and accounting flows

The President and the corporate management team are responsible for:

- the management process



Ten-year overview

	2012	2011	2010	2009
Profit/loss (SEK m)				
Net sales (incl. alcohol tax)	25,099	24,416	24,111	23,360
Net sales (excl. alcohol tax)	15,003	14,368	14,004	13,337
Gross profit/loss	3,201	3,115	3,051	2,961
Operating profit/loss	270	159	339	424
Net financial items	58	119	-24	109
Profit before tax	248	278	315	533
Net profit/loss for the year	180	223	223	406
Financial position (SEK m)				
Fixed asset	1,921	1,697	1,916	2,296
Current assets	3,222	3,339	3,257	2,823
Shareholders' equity	1,411	1,390	1,469	1,591
Liabilities	3,732	3,646	3,704	3,528
Balance Sheet total	5,143	5,036	5,173	5,119
Cash flow Statement (SEK m)				
Cash flow from operating activities	574	343	537	762
Cash flow from investment activities	-318	138	-204	34
Cash flow from financing activities	-159	-332	-345	-201
Cash flow for the year	97	149	-12	595
Key performance indicators				
Trading margin, incl. alcohol tax, %	12.8	12.8	12.7	12.7
Trading margin, excl. alcohol tax, %	21.3	21.7	21.8	22.2
Operating margin, %	1.1	0.7	1.4	1.8
Return on shareholders' equity, %	12.8	15.6	14.6	27.3
Return on capital employed, %	23.5	20.0	24.9	35.9
Equity/assets ratio, %	27.4	27.6	28.4	31.1
Basic and diluted earnings per share, SEK	500	619	619	1,128
Equity per share, SEK	3,919	3,861	4,081	4,419
Cash flow per share, SEK	1,594	953	1,492	2,117
Dividend per share, SEK ***	250	442	839	958
Work productivity	839	836	833	838
Stock turnover rate, multiple	24.7	24.5	25.7	25.4
Product wastage, SEK m	30.0	27.0	22.1	24.8
Wastage, ‰	1.48	1.36	1.22	1.33
Opinion index	71	68	66	66
Age verification checks, %	95	94	94	93
Average number of employees	3,172	3,192	3,127	3,043

* As per IFRS, but not adjusted for IAS 39 Financial Instruments

** Not as per IFRS

*** 2012 dividend per share, as proposed by the Board of Directors

2008	2007	2006	2005	2004*	2003**
21,296	20,211	19,039	18,083	17,708	18,985
11,905	11,143	10,345	9,691	9,393	9,969
2,699	2,567	2,525	2,461	2,371	2,499
9	83	298	262	9	62
714	250	54	199	185	140
723	333	352	889	208	188
687	295	259	635	154	132
2,213	2,350	1,889	1,317	1,530	1,306
2,398	2,458	2,616	3,348	2,289	2,649
1,386	1,581	1,489	1,567	1,022	948
3,225	3,227	3,016	3,098	2,797	3,008
4,611	4,808	4,505	4,665	3,819	3,956
184	779	476	1,007	126	133
446	-501	-751	-283	-122	-303
-868	-210	-330	-90	-76	-302
-238	68	-605	634	-72	-472
12.7	12.7	13.3	13.7	13.4	13.2
22.6	23.1	24.3	25.5	25.2	25.1
0.0	0.4	1.6	1.4	0.1	0.3
46.3	19.2	17.0	49.1	15.6	13.4
48.9	21.8	23.2	35.8	19.8	21.5
30.1	32.9	33.1	33.6	26.8	24.0
1,908	819	719	1,764	428	367
3,850	4,392	4,136	4,353	2,839	2,633
511	2,164	1,322	2,797	350	369
2,151	821	583	917	250	556
798	775	766	743	708	701
23.2	22.3	21.3	20.5	19.9	21.9
22.8	19.2	16.0	18.4	18.2	22.0
1.28	1.25	1.13	1.40	1.05	1.15
64	61	57	55	53	55
90	85	88	89	84	83
3,013	2,834	2,842	2,793	2,976	3,177

Income Statement

SEK
180
 million net
 profit for
 the year

SEK m	2012	2011
Net sales	25,099	24,416
Cost of goods sold	-21,898	-21,301
Gross profit/loss	3,201	3,115
Selling expenses	-2,428	-2,478
Administrative costs	-523	-484
Other operating income	20	7
Other operating expenses	0	-1
Operating profit/loss	270	159
Income from participations in Group companies	-	77
Income from other securities and receivables classified as fixed assets	50	39
Interest income	8	8
Interest income from Group companies	1	3
Interest expenses from Group companies	0	-1
Interest expenses and other similar P/L item	-1	-7
Profit/loss after financial items	328	278
Tax allocation reserve	-80	-
Profit/loss before tax	248	278
Tax	-68	-55
Net profit/loss for the year	180	223

Statement of Comprehensive Income

SEK m	2012	2011
Net profit/loss for the year	180	223
Other comprehensive income	—	—
Total comprehensive income for the year	180	223
Basic and diluted earnings per share, SEK*	500	619
Number of shares at the period end	360,000	360,000
Average number of shares during the period	360,000	360,000
Total proposed dividend, SEK m	90	159
Proposed dividend per share, SEK	250	442
Dividend approved and disbursed during the year, SEK m	159	302

SEK
90
*on dividend
paid to the
owner*

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

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

Income Statement

Net sales increased by SEK 683 million in 2012 to SEK 25,099 million. The increase in net sales is due both to an increase in sales volumes of 0.7 per cent, calculated as volume of pure alcohol, and to higher average prices per litre. The volume increase occurred in the wine, strong beer and alcohol-free product groups, while sales of spirits fell slightly. The trading margin, including alcohol tax, totalled 12.8 per cent. The operating profit increased during the year by SEK 111 million to SEK 270 million. Selling expenses fell by SEK

50 million, largely due to the fact that the 2011 results included the outcome of an arbitration ruling on a dispute between Systembolaget and V&S Vin & Sprit AB, and to the write-down of intangible assets. Systembolaget's focus on a more personal customer interaction has resulted in increased staff overheads in 2012. Other income increased by SEK 13 million, largely due to damages payments received and a simultaneous reduction in other costs of SEK 1 million.

Balance Sheet, assets

SEK m	31-12-2012	31-12-2011
ASSETS		
Fixed assets		
Intangible fixed assets		
Capitalised expenses	44	73
Total intangible fixed assets	44	73
Tangible fixed assets		
Buildings and land	38	40
Equipment, fixtures & fittings	774	874
Construction work in progress	56	63
Total tangible fixed assets	868	977
Financial fixed assets		
Participations in Group companies	15	15
Receivables from Group companies	28	64
Deferred tax receivables	20	24
Other long-term securities holdings	934	534
Other long-term receivables	12	10
Total financial fixed assets	1,009	647
Total fixed assets	1,921	1,697
Current assets		
Inventory	955	942
Receivables		
Accounts receivable	6	6
Tax receivables	–	71
Other receivables	2	1
Prepaid costs and accrued income, Group companies	8	8
Prepaid costs and accrued income	115	105
Total receivables	131	191
Short-term investments	140	307
Cash and bank balances	1,996	1,899
Total current assets	3,222	3,339
TOTAL ASSETS	5,143	5,036

Assets

Financial assets have increased by a total of SEK 362 million during the year. Gross investments in financial investments totalled SEK 853 million while divestments totalled SEK 669 million,

corresponding to a net increase of SEK 184 million. A larger percentage of the year's financial investments have terms that exceed 12 months than was the case with the investments held in 2011.

Balance Sheet, shareholders' equity and liabilities

SEK m	31-12-2012	31-12-2011
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Restricted equity		
Share capital	360	360
Statutory reserve	72	72
Total restricted equity	432	432
Non-restricted equity		
Profit/loss carried forward	799	735
Net profit/loss for the year	180	223
Total non-restricted equity	979	958
Total shareholders' equity	1,411	1,390
Untaxed reserves		
Tax allocation reserve	80	-
Total untaxed reserves	80	-
Provisions		
Long-term provisions	81	81
Total provisions	81	81
Long-term liabilities		
Long-term liabilities to Group companies	20	19
Other liabilities	18	18
Deferred tax liabilities	3	0
Total long-term liabilities	41	37
Current liabilities		
Accounts payable	3,209	3,149
Tax liabilities	16	-
Current liabilities to Group companies	-	0
Total liabilities	136	216
Accrued costs and prepaid income	169	163
Total current liabilities	3,530	3,528
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,143	5,036
MEMORANDUM ITEMS		
Pledged assets and contingent liabilities		
Pledged assets	7	7
Contingent liabilities	0	0

Shareholders' equity

Shareholders' equity increased by SEK 21 million. The change comprises the net of the dividend of SEK 159 million paid to the owner and the net profit/loss for the year of SEK 180 million. The equity/assets ratio was 27.4 per cent (27.6%). The goal stipulated in the Owner's Directive is approximately 35 per cent. This goal was set when Systembolaget prepared Consolidated Accounts and will be reviewed. The return on shareholders' equity was 12.8 per cent

(15.6%), and the goal of 5.6 per cent stipulated in the Owner's Directive was hence achieved.

Liabilities

An allocation of SEK 80 million was made to the tax allocation reserve during the year. Accounts payable and accrued costs correspond to 90.5 per cent of Systembolaget's total liabilities.

Change in shareholders' equity

SEK
1,411
 million
 total share-
 holders'
 equity

SEK m	Share Capital	Statutory reserve	Capitalised profit/loss for the year	Net profit/loss for the year	Total shareholders' equity
Opening balance, 1 Jan. 2011	360	72	814	223	1,469
Transfer to non-restricted reserves			223	-223	—
Net profit/loss for the year				223	223
Dividend			-302		-302
Closing balance, 31 Dec. 2011	360	72	735	223	1,390
Change in shareholders' equity, 2012					
Transfer to non-restricted reserves			223	-223	—
Net profit/loss for the year				180	180
Dividend paid to owner			-159		-159
Closing balance, 31 Dec. 2012	360	72	799	180	1,411

Cash Flow Statement

SEK m	2012	2011
Operating activities		
Profit/loss before tax	248	278
Adjustments for items not included in the cash flow		
Depreciation and write-downs	270	302
Capital profit/loss	-1	2
Other	48	-81
Cash flow from changes in operating capital		
Change in inventory	-13	21
Change in receivables	-10	20
Change in liabilities	-13	22
Change in financial receivables/liabilities from/to subsidiaries	37	-84
Cash flow from operating activities after changes in operating capital	566	480
Tax paid	8	-137
Cash flow from operating activities	574	343
Investment activities		
Acquisition of tangible fixed assets	-132	-215
Sale of tangible fixed assets	-	0
Acquisition of intangible fixed assets	-	-11
Acquisition/sale of financial fixed assets	-186	287
Dividend from Gamla Distribution i Jordbro AB - 77	-	77
Cash flow from investment activities	-318	138
Financing activities		
Group contributions made	-	-30
Dividend to owner	-159	-302
Cash flow from financing activities	-159	-332
Cash flow for the year	97	149
Liquid assets at the beginning of the year	1,899	1,750
Liquid assets at the end of the year	1,996	1,899

Cash flow from operating activities

The cash flow from operating activities increased by SEK 231 million to SEK 574 million. Systembolaget has a positive tax paid figure for the year due to excess payments of preliminary tax in previous years.

total of SEK 132 million (SEK 215 m) and SEK 186 million (SEK 287 m), respectively, was invested in tangible fixed assets and financial assets. Gross investments in financial assets totalled SEK 853 million (SEK 34.5 m).

Cash flow from investment activities

The cash flow from investment activities totalled SEK -318 million, corresponding to a decrease of SEK 456 million from 2011. A net

Cash flow from financing activities

The cash flow from financing activities refers, in its entirety, to dividends.

Supplementary information

Note 1 Accounting principles

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

General

The Parent Company, Systembolaget AB, is a wholly-government owned company whose registered offices are in Stockholm and which is registered in Sweden. The address of the head office is Kungsträdgårdsgatan 14, SE-103 84 Stockholm, Sweden. The annual accounts for the 2012 financial year were approved for publication by the Board of Directors and the President on 21 February 2013 and will be submitted to the Annual General Meeting on 25 April 2013.

Systembolaget does not, as of 1 January 2012, prepare any consolidated accounts in accordance with chapt. 7, § 3a of the Swedish Companies Act. Systembolaget conducts operations that are related to the retail sector operations, but which are not captive, via two separate, wholly-owned subsidiaries – IQ-initiativet AB and AB K14 Näckströmsgatan. Systembolaget also has another wholly-owned subsidiary, Gamla Distribution i Jordbro AB, which was dormant in 2012. Systembolaget's remaining subsidiaries are not of material financial significance in relation to Systembolaget as a whole.

Bases for preparation

Amounts

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

Date

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

Annual Accounts

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

Exemptions from IFRS

Pensions

The company's pension undertakings have, in accordance with RFR 2, been calculated and reported on the basis of the provisions of the Swedish Pension Obligations Vesting Act, which deviate from the provisions of IAS 19.

Untaxed reserves

The amounts allocated to untaxed reserves comprise taxable temporary differences. The deferred tax liability attributable to the

untaxed reserves in the company is not reported separately due to the link between accounting and taxation.

Amended accounting principles

The Company applies the same accounting principles as those applied in the 2011 annual accounts with the following exceptions that are due to new or revised standards, interpretations and improvements adopted by the EU and which have been applied as of 1st January 2012. Systembolaget has elected to comment solely on those innovations that have had or that may have an effect on the company's accounts.

Standards, amendments and interpretations that came into force in 2012 and which affect the accounts

IFRS 7 Financial instruments: Disclosures – amendment

If a transfer of financial assets does not result in its complete elimination from the Balance Sheet, quantitative and qualitative disclosures shall be provided with regard to the same.

Swedish Financial Reporting Board – RFR 2

A company may, when reporting Group contributions, apply either the benchmark rule or the alternative rule. The rule chosen shall be applied consistently. The benchmark rule states that Group contributions received from subsidiary companies shall be reported as financial income while Group contributions made to subsidiaries shall be reported as an increase in participations in subsidiaries. Subsidiaries shall report fellow subsidiaries under shareholders' equity.

Under the alternative rule, both Group contributions received and made shall be reported as transfers to/from untaxed reserves. If Systembolaget receives or makes Group contributions to subsidiaries in future, Systembolaget will report these contributions in accordance with the benchmark rule.

The Swedish Annual Accounts Act

The option of valuing tangible and intangible assets at fair value has been abolished.

Future standards, amendments and interpretations, 2013 or thereafter, which affect or which may affect the accounts

The following standards shall be applied from 2013 or thereafter.

IFRS 7 – Financial instruments: Disclosures – amendment

Financial assets and liabilities that have been offset in the report showing the company's financial position shall be disclosed.

IFRS 9 – Financial Instruments (not yet EU-approved)

Entails a complete revision of IAS 39. The standard entails a reduction in the number of valuation categories for financial assets. The main categories for reporting financial assets and liabilities are at acquisition value or at fair value via the profit/loss.

IFRS 12 – Disclosures of Interest in Other Entities

Expanded disclosure requirements with regard to subsidiary companies, associated companies and joint arrangements have been grouped within a single standard. Significant qualitative and

quantitative disclosures shall be made with regard to the respective holdings, such as financial information with regard to subsidiaries and disclosure of the assessments and estimates made in conjunction with the evaluation of whether to consolidate the company.

IFRS 13 – Fair Value Measurement

The standard contains uniform rules governing the calculation of fair values and where other standards require reporting of or disclosure of fair value. New types of disclosures shall be made in order to clarify the valuation models applied and the data used in the same.

IAS 1 – Presentation of Financial Statements – amendment: presentation of Other comprehensive income

The amendment will entail a change to the way in which transactions reported under Other comprehensive income are reported. Items to be reversed to the Income Statement shall be reported separately. The proposal does not alter the actual content of Other comprehensive income – only the presentation format.

IAS 32 Financial instruments: Classification – amendment

The amendment to IAS 32 entails a clarification of the section entitled “Application guidance” with regard to the offsetting of financial assets and financial liabilities. The term “legal right to offset” is clarified, as is what is meant by “items settled net” in different circumstances. The amendment shall be applied retroactively in accordance with IAS 8. Proactive application is permitted if the company discloses details of offsetting in accordance with the amendment to IFRS 7.

Annual Improvements to IFRSs 2009–2011 (not yet EU-approved)

Minor amendments and clarifications of five standards, including IAS 1 Presentation of Financial Statements, in which the nature of the supplementary information required is clarified if more than one comparison period is presented in the accounts or if an adjusted opening report on the company’s financial position for the comparison period is reported. The amendments shall be applied retroactively in accordance with IAS 9. Proactive application is permitted.

Swedish Financial Reporting Board statement, UFR 9 – Reporting

Policyholder tax levied on provisions in the Balance Sheet shall be reported on an ongoing basis as a cost in the profit/loss for the period to which the tax refers. The policyholder tax shall hence not be included in the liability calculation with regard to defined benefit pension plans.

Future standards, amendments and interpretations that will probably not affect the accounts

IAS 12 Income tax – amendment

Deferred tax on properties valued at fair value shall be calculated on the basis of the tax consequences in conjunction with the sale of the property. Only affects investment properties.

IFRS 10 – Consolidated Financial Statements and amendment to IAS 27 Separate Financial Statements

The standard addresses the preparation of consolidated accounts and regulations governing the approach to be taken by a company in determining whether a controlling influence exists. Systembolaget does not, as of 1 January 2012, prepare consolidated accounts.

IFRS 11 – Joint Arrangements and amendment to IAS 28 Investments in Associates and Joint Ventures

Addresses the reporting of joint arrangements, which are defined as

a partnership agreement in which two or more parties have a shared controlling influence.

Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income

The change means that the presentation of transactions reported under Other Comprehensive Income changes. Items to be reversed to the Income Statement shall be reported separately. The company has postponed any evaluation the effects of the new standard until work on all aspects of the new standard is completed.

Important estimates and assessments

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

Important assessments

When applying the company’s accounting principles, the company management makes various assessments that can have an effect on the reported amounts in the Income Statement and the Balance Sheet. The reporting assessments made by the company management that have the most significant effect on the reports are the assessments of capitalisation of costs for system development.

Foreign currencies

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

Segment reporting

An industry segment comprises a financially identifiable part of the company that supplies products or services and which is exposed to risks and opportunities that differ from those applicable to other industry segments. Geographical areas supply products or services within a financial environment that is exposed to risks and opportunities that differ from those applicable to other financial environments.

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

Revenue recognition

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

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

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

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

State subsidies

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

Cost accounting

The Income Statement is presented by function and costs are accordingly classified on the basis of their function. The cost of goods sold primarily comprises the purchase of goods for resale. Selling expenses include costs arising from the store operations, largely comprising personnel- and premises-related costs. Administrative expenses include costs arising from the central administrative functions at the head office.

Leasing

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

Lessees

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

Income tax

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

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

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

On every closing day, the reported value of the deferred tax receivables is reassessed and reduced to the extent that it is no

longer probable that sufficiently large fiscal surpluses will be available. The reduction is reversed to the extent that it is subsequently deemed likely that sufficient fiscal surpluses will be available.

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

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

Information on related parties

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

Information is provided when transactions have occurred with a related party, irrespective of whether remuneration was disbursed.

The term, transactions, refers to the transfer of resources, services or undertakings. Transactions with related parties are conducted on market terms.

Tangible fixed assets

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

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

Intangible assets

Expenses for the development are reported as intangible assets when the following criteria are met:

- the intangible asset is identifiable;
- Systembolaget has control over the asset;
- the asset generates future financial gains; and
- the asset's acquisition value can be reliably calculated.

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

The expenses that do not meet the above criteria are capitalised as they arise.

Depreciation

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

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

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

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

Write-downs

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

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

Remuneration to employees

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

Defined benefit pension plans

The company has defined benefit pension plans, which means that the company has an undertaking to disburse the agreed remuneration to current and former employees and that the company, in every significant respect, carries the actuarial risk and the investment risk. The actuarial risk is the risk that the remuneration will cost more than expected and the investment risk is the risk that the assets invested will prove insufficient to provide the expected remuneration. The defined benefit pension plans are primarily secured through pension funds, but also through provisions made in the Balance Sheet and, to a limited extent, through insurance premiums.

Systembolaget's pension undertakings are reported and calculated in accordance with the Swedish Securing Pension Commitments Act and directives issued by the Swedish Financial Supervisory Authority. Application of the provisions of the Swedish Securing Pension Commitments Act is a prerequisite for fiscal deductibility.

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

Defined contribution pension plans

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

Severance payments

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

Categories

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

Financial instruments

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

Recognition in and elimination from the Balance Sheet

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

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

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

Valuation

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

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

Subsequent valuation is effected either at the fair value or at the accrued acquisition value by application of the effective interest method. The valuation method used is determined by the category to which the respective instruments belong.

The fair value is the amount at which an asset could be transferred or a liability settled between knowledgeable and independent parties who have an interest in completing the transaction.

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

Classification

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

Financial assets valued at fair value via the Income Statement

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

company management classifies it as such. Remaining financial assets are identified in this category when reported for the first time. Changes in the value of financial assets valued at fair value via the Income Statement are reported in the Income Statement.

Loan receivables and accounts receivable

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

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

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

Financial liabilities valued at accrued acquisition value

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

Liquid assets

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

Net profit and net loss

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

Inventory

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

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

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

Fixed assets held for sale and liquidated operations

A fixed asset or a disposal group is classified as a fixed asset held for sale if their reported value will primarily be recovered through sale and not through ongoing use. To be classified as an asset held for sale, the asset must be available for immediate sale in its current condition and it must be very likely that a sale will be made.

A fixed asset or disposal group shall be reclassified when an assessment made indicates that the sale is very probable, which

means that a decision shall have been taken at management level, there shall be an active programme aimed at completing the sale, the sale price shall have been set at a reasonable level in relation to the fair value, and the sale shall normally take place within one year of the decision having been made.

The fixed asset or the disposal group is valued at whichever is the lower of the reported value and the fair value, less selling expenses.

Assets and liabilities attributable to the fixed asset are reported separately in the Balance Sheet. A fixed asset is not depreciated as long as it is classified as being held for sale.

Provisions

A provision is defined as a liability that is uncertain with regard to the due date or the amount. Provisions are reported in the Balance Sheet when the Company has an existing legal or informal undertaking as a result of an event that has occurred, and for which it is likely that a disbursement of resources will be required to clear the commitment and the amount can be reliably estimated.

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

Contingent liabilities

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

Cash Flow Statement

The Cash Flow Statement demonstrates the inflow and outflow of monies attributable to the operating activities, investment activities and financing activities, and which has occurred during the period. The Cash Flow Statement is prepared using the indirect method, whereby the result is adjusted for:

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

Events after the closing day

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

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

On 1 January 2013, the Swedish Financial Supervisory Authority's base rate used in the so-called "pension obligation vesting bases" (FFFS 2007:31) used to calculate pension liabilities was reduced. This reduction results in an increase in Systembolaget's estimated pension liabilities of ca. SEK 260 million. This will, to the extent that pension obligation vesting does not exist in the form of assets in Systembolaget's Pension Foundation, entail additional pension costs within Systembolaget AB during the first quarter of 2013.

Proposed appropriation of profits

The Board of Directors proposes that the profits available for allocation, comprising SEK 978 204 958, be allocated as follows:

Dividend (SEK 250 per share) SEK	90 000 000
Carried forward SEK	888 204 958
Total SEK	978 204 958

It is proposed that the dividend be disbursed on 3rd of May 2013.

The Board of Directors is of the opinion that the proposed dividend payment is justifiable with reference to the requirements laid down in chapt. 17:3, §§ 2 and 3 of the Swedish Companies Act, and with reference to the requirements that the nature of the operations, their scope and their inherent risks make of the shareholders' equity in the company.

The dividend payment is also deemed justifiable from the point of view of the company's consolidation requirements, liquidity and position in general, and is compatible with the owner's requirements and expectations.

The Board of Directors and the President hereby affirm that the annual accounts have been prepared in accordance with generally accepted accounting principles and that they provide a true and fair view of the company's position and result. The undersigned also affirm that the accounts have been prepared on the basis of the IFRS international accounting standards referred to in the European Parliament and European Council ordinance (EC) no.1606/2002, dated 19th July 2002, and that they provide a true and fair view of the performance of the company operations, their position and their result, and that they describe significant risks and uncertainty factors faced by the company.

Stockholm 21st of February 2013

Cecilia Schelin Seidegård
Chairperson

Kerstin Wigzell
Deputy chairperson

Thord Andersson
Member

Sven Andréasson
Member

Crister Fritzson
Member

Johan Gernandt
Member

Carl B Hamilton
Member

Mona Sahlin
Member

Anna Holgersson
Employee representative

Berit Morén
Employee representative

Magdalena Gerger
President

Audit Report

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

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts of Systembolaget AB for 2012. The annual accounts of the company are included in the printed version of this document on pages 2-34.

Responsibilities of the Board of Directors and the President for the Annual Accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of annual accounts in accordance with the Swedish Annual Accounts Act and that give a true and fair view in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Swedish Annual Accounts Act, and for the internal controls that the Board of Directors and the President consider are necessary for preparing annual accounts that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President as well as evaluating the overall presentation of the annual accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Systembolaget as of 31st of December 2012 and of its financial performance and its cash

flows for the year in accordance with the Annual Accounts Act, and of its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A statutory administration report was prepared in accordance with the "Government's ownership policy and guidelines for state-owned companies". The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts. We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for Systembolaget AB.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Systembolaget AB for the year 2012.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act. As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any Member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Statutory Administration Report and that the Members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm 21st of February 2013

Åsa Lundvall, Ernst & Young AB
Authorised Public Accountant

Agneta Bergman
Authorised Public Accountant
appointed by the National Audit

Review Report in respect of the Annual Accounts

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

On behalf of Swedish Parliament's Board of Administration, we have examined the administration and the internal controls of Systembolaget AB in the 2012 financial year.

We have examined significant decisions, actions taken and circumstances in the Company in order to be able to determine whether the Company has been managed in an appropriate and

financially acceptable manner and whether the Company's internal controls are adequate. Our examination did not reveal any circumstances giving cause for objection.

We have also examined whether the Company, its management and Board observed the guidelines laid down by the government with specific reference to Systembolaget AB and also to Stateowned enterprises in general. This examination also did not reveal any circumstances giving cause for objection.

Stockholm 21st of February 2013

Christina Oskarsson

Hans Backman

Maria Plass

The Board of Directors on the Sustainability Report

The Sustainability Report, which includes all of the sustainability related information provided in Systembolaget's 2012 Responsibility Report, together with the in-depth information about our reporting in

accordance with the Global Reporting Initiative; GRI, as presented on pages 41–62 have been approved for publication by the Board of Directors on 21st of February 2013.

Stockholm 21st of February 2013

Cecilia Schelin Seidegård
Chairperson

Kerstin Wigzell
Deputy chairperson

Thord Andersson
Member

Sven Andréasson
Member

Crister Fritzon
Member

Johan Gernandt
Member

Carl B Hamilton
Member

Mona Sahlin
Member

Anna Holgersson
Employee representative

Berit Morén
Employee representative

Magdalena Gerger
President

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

To the readers of Systembolaget AB's Sustainability Report

Introduction

We have been engaged by the Board of Directors of Systembolaget AB to perform a limited assurance engagement related to Systembolaget AB's Sustainability Report for 2012. It is the Board of Directors and the executive company management that are responsible for the continuous activities regarding the environment, the work environment, quality, social responsibility and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report, based on our review.

The orientation and scope of the limited assurance engagement

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

The criteria used in the course of performing our limited assurance engagement are based on applicable parts of the "Sustainability Reporting Guidelines", G3, issued by The Global Reporting Initiative (GRI), suitable for the Sustainability Report, and specific measurement and reporting principles developed and

issued by the company. We consider these criteria to be suitable for the preparation of the Sustainability Report.

Our limited assurance engagement comprises the information presented in the GRI list of contents on pages 47–48 and the pages in the responsibility report referred to in this list of contents.

Our limited assurance engagement has, based on an assessment of significance and risk, included the following:

- a. updating our knowledge and understanding of Systembolaget AB's organisation and activities,
- b. assessing the suitability and application of the criteria in relation to the stakeholders' need for information,
- c. assessing the result of the company's stakeholder dialogues,
- d. conducting interviews with responsible management at selected business units with the aim of determining whether the qualitative and quantitative information contained in the Sustainability Report is complete, correct and sufficient,
- e. studying internal and external documents to determine whether the information reported is complete, correct and sufficient,
- f. evaluating the design of the systems and processes used to obtain, manage and validate sustainability information,
- g. evaluating the model used to calculate carbon dioxide emissions,
- h. conducting an analytical review of reported information,
- i. reconciling financial information with the company's Annual Accounts for 2012,
- j. evaluating the company's stated application level with regard to GRI guidelines,
- k. considering the overall impression given by the Sustainability Report, and its format, with regard to the mutual correspondence between the information and the criteria applied; and
- l. reconciling the reviewed information with the sustainability information contained in the company's 2012 Annual Report.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information contained in the Sustainability Report included in our review has not, in all material respects, been prepared in accordance with the above-mentioned criteria.

Stockholm 21st of February 2013
Ernst & Young AB

Curt Öberg
Authorised Public Accountant

Åsa Lundvall
Authorised Public Accountant

About the in-depth GRI Report

Systembolaget shall, as a State-owned company, and in accordance with the Government-issued guidelines for external reporting, prepare a sustainability reported in accordance with GRI (Global Reporting Initiative). GRI is a global network that provides a framework of guidelines for sustainability reports. This is now the fifth year in succession that Systembolaget has published a report in accordance with the GRI 3.0 guidelines. The previous report was published in 12 March 2012. This report has been reviewed by Systembolaget's external auditors – see Auditors' Report in respect of the Sustainability Report on page 40. This in-depth GRI Report provides more detailed explanations of the principles on which the Sustainability Report is based. It clarifies, amongst other things, the way in which the content has been decided upon and boundaries set. It is our hope that you, the reader, will gain a clearer picture of the way in which Systembolaget works to take responsibility for our impact on people and the environment, and the way in which we endeavour to integrate this sustainability work into our operations.

Application level

This report has been prepared in accordance with GRI level B+ and has been reviewed by an external reviewer.

Changes since last year

The following indicators are not included in this year's Responsibility Report:

EC1. Direct economic value generated and distributed

This indicator shows Systembolaget's economic performance, broken down by its primary stakeholders. Our view is that sufficient information on this matter is provided in the Annual Accounts.

HR4. Total number of incidents of discrimination and corrective actions taken

This indicator addresses an important area, but we have reported zero cases of discrimination for every year since 2008. We intend to come to a decision on reporting this indicator in conjunction with our annual review.

PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

This indicator is a summary of the controls conducted by Systembolaget in conjunction with the purchase of drinks. It does not match up with our significance analysis criteria.

Application level	C	B	A
GRI reporting requirements	C+ = with certifying report	B+ = with certifying report	A+ = with certifying report
Descriptions of the organisation profile	Report criteria- 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15"	Report all criteria.	Report all criteria.
Descriptions of approaches to every indicator category	Not required.	Required for every indicator category.	Required for every indicator category.
Reporting core indicators	Report at least 10 indicators, including at least one from each of the following categories: social, economy and environment.	Report at least 20 indicators, including at least one from each of the following categories: economy, environment, human rights, labour, society and product responsibility.	Report all core indicators or explain why they are not reported with reference to the importance of every indicator.

Material issues

Systembolaget has always worked with what are nowadays known as sustainability issues. The first area we addressed was helping to limit the harmful effects of alcohol in society – the very reason why Systembolaget exists. As time has gone by, the scope of this work has been expanded to include issues in the field of employee wellbeing, the environment and anti-corruption, and the last few years have seen Systembolaget's sustainability work expand outside our walls, focusing, in particular, on the drinks supplier chain. There are a number of reasons why we work with the areas we do, including our own values, risks, trends, outside world events, and the requirements and viewpoints of our stakeholders. Sustainability work has been a long-term process for Systembolaget, and it is an ongoing one. In 2012, the CSR Council has identified the areas where it regards measurement, monitoring and linking to key performance indicators as important. The work was divided up into the following areas: human rights, labour conditions, the environment, and anti-corruption. The areas identified correspond closely to those identified in previous years' materiality analyses, e.g. anti-corruption, the environment (cultivation and packaging) and compliance with the Code of Conduct (ethically

labelled goods and producer checks).

Our work on establishing key performance indicators will continue for the next couple of years and we will successively begin setting goals and following up on the key performance indicators.

Our choice of stakeholder groups is based on our strategic planning and the various perspectives of the balanced scorecard. These perspectives have changed over the years and now also match the way in which we present our Responsibility Report.

We expect stakeholder groups from all five stakeholder perspectives to read our Responsibility Report. We also conduct ongoing dialogues with the owner, customers, employees and suppliers stakeholder groups and/or conduct questionnaire-based surveys at least once a year. We also conduct dialogues and surveys on the basis of requirements and specific subject areas. When such situations arise, we usually conduct some form of initial stakeholder mapping process to ensure we are focusing on the right stakeholders in this particular instance. The 2010 stakeholder dialogue from a CSR perspective was one such example.

Systembolaget does not apply the prudence concept as a management concept, but we do, in many cases, work in accordance with this concept. The risk analyses (company-wide and within CSR in the supplier chain) and the follow-up work conducted on these analyses are one example of this approach. Systembolaget is, from a

strategic viewpoint, a member of the Business Social Compliance Initiative (BSCI), the Swedish Trade Federation, the Swedish Public Relations Association, the Royal Swedish Academy of Engineering Sciences (IVA) and the Association of Swedish Advertisers.

The Report's scope and boundaries

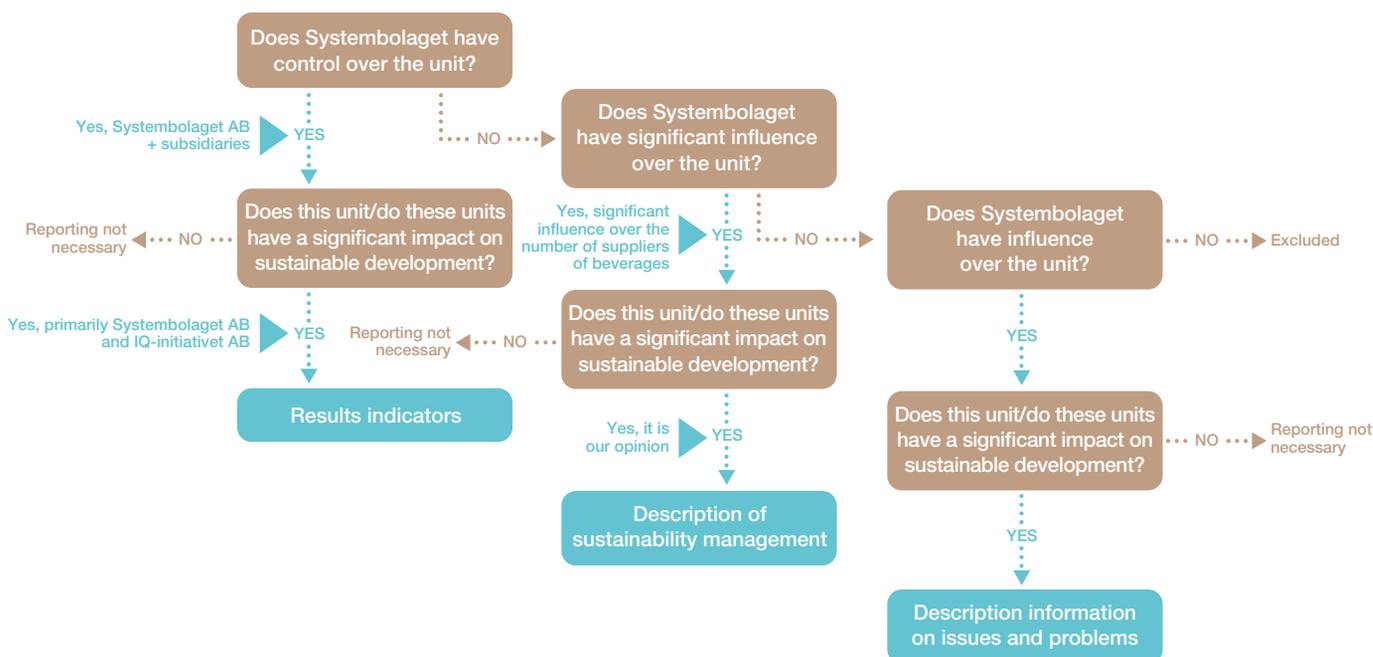
The financial reports for 2012 refer exclusively to Systembolaget AB, while the Sustainability Report for the 2012 financial year comprises Systembolaget AB and the wholly-owned subsidiary companies, IQ-initiativet AB, AB K14 Näckströmsgatan and Gamla Distribution i Jordbro AB¹. All of the companies comprise operations in which Systembolaget exercises control over financial and operating policies and routines. The basic principle is that all companies shall be represented in all result indicators. Exceptions are reported under the respective indicator in the GRI table on pages 47–48.

The report also contains a description of how our CSR work is governed within the supplier chain, which primarily covers our drinks suppliers that we are very likely to have a significant influence² on many of them. The GRI indicators presented in the Sustainability Report

are selected on the basis of the materiality analysis conducted during the year (taking the analysis conducted in 2009 as its starting point). We have reported 25 indicators in six categories this year. Measurement and calculation methods are described, where relevant, in conjunction with the respective indicators. The compilation and quality assurance of the indicators was performed by Systembolaget's GRI Coordinator. Target figures and comparison figures are presented, where relevant. Where comparison figures from previous years' accounts have been amended as a result of changes to calculation methods, the amendment is noted under the indicator in question.

- 1. The company was dormant in 2011 and 2012.
- 2. Significant influence based on the GRI Boundary Protocol and the assumption that Systembolaget has purchasing agreements that account for a large percentage of our drinks suppliers' sales.

Sustainability management



Sustainability management

Stakeholders	Sustainability area		Result 2012	Goal 2012	Goal 2013 ¹⁾	GRI indicators
 Society	The Mandate	Opinion Index, OPI, %	71	68	70	SO1, EC9
		Age verification checking, %	95	94	95	SO1
	Alcohol-free	Alcohol-free sales, %	0.4	–	–	
	IQ	IQ Alcohol Index, Swedes' attitudes to alcohol ²⁾	62.2	63	63	
		Liking of IQ, % of those who know ³⁾	79	80	80	
		Analysis & Research ⁴⁾				
 Customers	Communication	Customer Satisfaction Index, CSI	81	80	81	PR5, PR6, PR7
	Climate – energy ⁴⁾					EN4, EN5
	Climate - Packaging ⁴⁾					EN22
	Climate – pesticides & artificial fertilisers	Organic sales, %	3.2	4.5	5.0	EN26
 Employees	Work environment & Health	ESI	78.6	– ⁵⁾	79	LA1, LA4, LA11, LA12, LA13, LA14, EC3, HR4
		Short-term absence due to sickness, %	2.4	2.3	2.3	LA7
		Staff turnover, %	16	–	–	LA2
		Ethics/Anti-corruption ⁴⁾				SO2, SO3, SO4
		Skill development, CSR ⁴⁾				HR3
 Suppliers	Sustainable purchases/ Code of Conduct ⁶⁾	Quality Supplier Index, QSI	92.7	– ⁵⁾	93	HR2
		Ethical labelling sales, %	0.55	–	–	
	Climate – transports					EN17, EN18
	Climate - water					
 Owners		Gross margin, %	21.3	22.5	22.5	
		Return on shareholders' equity, %	12.8	8.5	– ⁷⁾	

¹⁾ The strategic plan for 2010-2013 contains long term goals for issues such as OPI, Age verification checks, ESI and CSI. The goals for 2013 were, in many cases, achieved by the end of 2012.

²⁾ Overall index measuring how restrained Swedes' attitudes are to alcohol. For further information, see page 19 Part 1.

³⁾ At least 500 people a month are asked to answer the following question: "IQ is an initiative designed to help establish a smarter approach to alcohol, to boost Swedes' IQ when it comes to drinking. What do you think about this?" The goal figure is the percentage of those answering this question with Very good or Fairly good.

⁴⁾ The key performance indicators are being drawn up.

⁵⁾ New method under 2012.

⁶⁾ Sustainable purchases/Code of Conduct including human rights, labor and environmental issues.

⁷⁾ The KPI will be changed in 2013 to Return of operating margin, %.

Our responsibility goes beyond

No significant changes have occurred in terms of the scope, boundary setting or measurement methods applied in comparison with those used in the previous Sustainability Report. The company management and the Board of Directors have ultimate responsibility for the CSR work within Systembolaget. The work is administered by two CSR Managers who are aided by a multidisciplinary CSR Council that is tasked with strategic planning, monitoring, coordination and case handling. The environmental work is coordinated by the Environmental Group, which is an interdisciplinary operating group that reports to the CSR Council. The aim is to incorporate CSR into all of the company's existing processes. Issues relating to the work environment and the employees' ability to engage in a dialogue with the company management are handled by the Work Environment Committee and the Collaboration Council, which are made up of both trade union and company management representatives. The employee side is represented on the Work Environment Committee and the Collaboration Council by six members.

Potential risks

New countries have adopted a growing drinking culture, not least when it comes to wine. China and India are two large and growing markets – a trend that will result in substantial increases in demand and hence in additional social and environmental problems. The risks we must manage when it comes to the production of our goods are, to a very large extent, related to the fact that the products in question are agricultural ones. Farmworkers' labour conditions are one of the areas in which progress may seem to have stood still. A large percentage of the world's wines made from grapes picked by hand by seasonal workers – a group which, in many countries, is not covered by the same agreements as permanent employees. Working hours, pay and a healthy work

environment are areas that pose a particularly large risk. Housing is also a problem for the large numbers of workers who harvest the crops over a couple of months and who often move from one harvest to another with their entire families. The social structure in many countries, such as South Africa, makes the housing problem a topical one, even for permanent employees who live on farms owned by producers.

The risks are also substantial in the environmental sphere. The primary risk in relation to agricultural products lies in the negative effect on the climate, water shortages and the impact on biodiversity. Our products are cultivated and produced worldwide and the risks vary from one geographical area to another. Climate change is a global phenomenon but there is considerable potential for reducing it. As the global population increases, water shortages are becoming increasingly marked and in some cultivation areas, such as Australia, water shortages are already a problem. Advanced technology for reducing water consumption in conjunction with cultivation and production does, however, already exist. Biodiversity is negatively affected by the use of pesticides. The need for these substances varies in line with climate and soil type, however, and the complexity of introducing organic cultivation consequently varies.

Overall, these issues pose substantial challenges for our industry.

Our Code of Conduct sets a minimum standard based on internationally accepted guidelines. Our ambition is the continuous development and improvement of the partnership with our entire supplier chain through monitoring. As a significant player on the international market, we have the ability to be involved in and promote the development of sustainable production in the drinks industry.

The CSR work also has financial consequences. The implementation of the Code of Conduct

throughout the supplier chain may, for example, entail increased production costs. The way in which these consequences will affect Systembolaget in the longer term, as a State-owned company that does not attempt to maximise its profits is difficult to predict. A more eco-friendly approach to production can also result in increased production costs but can also result in savings when it comes to production and transportation by reducing energy consumption. It is also difficult to predict the economic consequences of any climate change that may occur, with increases in average temperatures and changes in water availability.

A clear plan

Work on registering and monitoring the supplier chain through a process of self-assessment and third party audits of the producer stage of the chain is an ongoing one, beginning in 2012 and continuing in the years ahead. We also monitor our suppliers' CSR work by drawing up a self-assessment form that enables us to work together to identify and improve our collaboration on CSR issues. This solution will also enable us to produce key performance indicators in order to set goals for our CSR partnerships.

We are also keen, within BSCI (the Business Social Compliance Initiative) and within the Nordic alcohol retail monopolies' collaborative partnership, to develop guidelines for

environmental issues. It is our hope that, through ongoing dialogues with our suppliers, we will be able to draw up common goals and guidelines for sustainable environmental work.

Our environmental work takes as its starting point the environmental audit that was completed in 2011. The investigation included not only the environmental impact of Systembolaget's own work, but the environmental impact to which our products give rise throughout their lifecycle. The results show that the most important environmental aspects that we must take into account are, in descending order:

- packaging
- cultivation
- production
- transport

Our environmental work in 2013 will continue to focus both on our internal activities in relation to waste management and energy consumption, and on reducing the negative environmental impact of our packaging. The focus in subsequent years will shift down the supplier chain to transportation, production and cultivation (see illustration below). The ownership policy was revised in 2012 to clarify the sustainability reporting and Systembolaget has consequently worked, during the year, to identify sustainability goals that are operationally relevant and important and these goals will be set in 2013.



GRI index

Systembolaget reports in accordance with the Global Reporting Initiatives (GRI) guidelines at level B+, as verified by Ernst & Young AB. The report for the 2012 financial year comprises the Parent Company, Systembolaget AB, and the wholly-owned subsidiary companies, IQ-initiativet AB Gamla Distribution i Jordbro and AB K14 Näckströmsgatan, and comprises the operations over which Systembolaget exercises control with regard to financial and operating policies. The basic principle of the reporting is that all of these units are

represented in each indicator. Any deviations from and comments on the GRI indicators are reported here.

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

PROFILE

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2.8	Scale of the reporting organisation	R	1, 52, 58	1
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3.8	Reporting principles for jointly owned companies, subsidiaries, etc.	R		43
3.9	Data measurement techniques and bases for calculation	R		43
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4.2	The role of the Chairperson of the Board	R		9, 45
4.3	Independent or non-executive Board Member	R	54-55	7-8
4.4	Mechanisms for shareholders' and employees' to provide recommendations etc., for the Board	R		7
4.5	Remuneration to senior executives	R		10
4.6	Avoiding conflicts of interest within the Board	R		10
4.7	Process for determining the qualifications of Board Members	R	8, 11	
4.8	Mission or value statements, code of conduct, etc.	R	8, 9, 37, 42	
4.9	The Board's monitoring of sustainability work	R		10, 17
4.10	Processes for evaluating the work of the Board	R		11

		Part 1	Part 2
Commitments to external initiatives			
4.11	Application of the precautionary approach or principle	R	42
4.12	Externally developed statutes, principles and initiatives	R	42, 46
4.13	Membership of organisations	R	42
Stakeholder engagement			
4.14	Stakeholder group	R	10, 11
4.15	Identification and selection of stakeholders	R	11, 42
4.16	Approaches to stakeholder engagement	R	16, 17, 18, 23, 34, 38, 42, 43, 44, 45, 49
4.17	Key topics and concerns arising through stakeholder engagement	R	16, 23, 28, 34, 36, 43, 44, 45

PERFORMANCE INDICATORS

5	Economic Performance Indicators		
<i>Sustainability management disclosure</i>			
			48, 52-53
Economic performance			
EC1.	Generated and distributed direct economic value	N	
EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change	N	
EC3.	Coverage of the organization's defined benefit plan obligations	R	31, 33, 49
EC4.	Significant financial assistance received from government	N	
Market presence			
EC6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	N	
EC7.	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	N	
Indirect economic impacts			
EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement	N	
EC9.	Description of significant indirect economic impacts, including the extent of impacts	P	49
6	Environmental indicators		
<i>Sustainability management disclosure</i>			
		28, 30-31	50, 51, 52
Material			
EN1.	Materials used by weight or volume	N	
EN2.	Percentage of materials used that are recycled input materials	N	
Energy			
EN3.	Direct energy consumption by primary energy source	N	
EN4.	Indirect energy consumption by primary source	P	50
EN5.	Energy saved due to conservation and efficiency improvements	R	31
EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	N	

	Part 1	Part 2
EN7. Initiatives to reduce indirect energy consumption and reductions achieved	N	
Water		
EN8. Total water withdrawal by source	N	
EN9. Water sources significantly affected by withdrawal of water	N	
EN10. Percentage and total volume of water recycled and reused	N	
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	N	
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	N	
Emissions, effluents, and waste		
EN16. Total direct and indirect greenhouse gas emissions by weight	N	
EN17. Other relevant indirect greenhouse gas emissions by weight	P	50
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved	R	51
EN19. Emissions of ozone-depleting substances by weight	N	
EN20. NO, SO, and other significant air emissions by type and weight	N	
EN21. Total water discharge by quality and destination	N	
EN22. Total weight of waste by type and disposal method	R	51
EN23. Total number and volume of significant spills	N	
Products and services		
EN26. Initiatives to mitigate environmental of products and services, and extent of impact mitigation	R	28 52
EN27. Percentage of products sold and their packaging materials that are reclaimed by category	N	
Compliance		
EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	N	
7 Societal impact		
Labour practices and decent work		
<i>Sustainability management disclosure</i>	33–38	53, 54, 55, 56, 57, 58
LA1. Total workforce by employment type, employment contract and region	R	52
LA2. Total number and rate of employee turnover by age group, gender and region	R	53–54
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	N	
LA4. Percentage of employees covered by collective bargaining agreements	R	54
LA5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	N	
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	P	39 54
LA8. Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	N	
LA10. Average hours of training per year per employee by gender, and by employee category	N	
LA11. Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	R	35 55
LA12. Percentage of employees receiving regular performance and career development reviews	R	36 55
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	R	56–57

	Part 1	Part 2
LA14. Ratio of basic salary of men to women by employee category	P	58
Human rights		
<i>Sustainability management disclosure</i>	42–43	59
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	N	
HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	R	42 59
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	R	60
HR4. Total number of incidents of discrimination and actions taken	N	
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	N	
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	N	
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	N	
Local community		
<i>Sustainability management disclosure</i>	16–19, 6–7	61
SO1. Nature and scope of the routines that assess the impacts of operations on communities, including entering, operating and exiting	R	7, 14, 16, 17 60
SO2. Percentage and total number of business units analysed for risks related to corruption	R	6, 61
SO3. Percentage of employees trained in organisation's anti-corruption policies and procedures	R	37 61
SO4. Actions taken in response to incidents of corruption	R	62
SO5. Public policy positions and participation in public policy development and lobbying	N	
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	N	
Product responsibility		
<i>Sustainability management disclosure</i>	21–23, 28–29	
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	N	
PR3. Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	N	
PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome		
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	R	22, 23 62
PR6. Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	R	62
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	R	62
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	N	

Result indicators

ECONOMIC PERFORMANCE INDICATORS

EC3 Coverage of the organisation's defined benefit plan obligations

All employees of Systembolaget, with the exception of the President and caretakers, are covered by the collective agreement pension plan for salaried employees, PA 91 (pension agreement 1991). The pension is a defined benefit plan and is secured through a foundation. The complementary defined contribution plan, Kåpan, is paid out between the ages of 65 and 70. Provision is made in the sum of 1.7 per cent of the pensionable salary. The President has a defined contribution solution whereby 27 per cent of the salary is allocated to the pension. Caretakers have a defined contribution pension plan

with AMF Pension. Employees of the IQ-initiativet AB subsidiary are covered by a collective agreement pension with Alecta. Members of the company management appointed after 1 January 2012 also receive a defined contribution pension with a premium comprising 10, 16 or 19 per cent of their monthly salary. Members of the company management appointed before 1 January can retire at the age of 60. Pensions received between the ages of 60 and 65 are disbursed in the sum of 70 per cent of the pensionable salary

EC9 Description of significant indirect economic impacts, including the extent of impacts

There are a number of different research reports showing the indirect economic effects of alcohol consumption and the way in which alcohol is sold. We provide examples here and elsewhere in the Responsibility Report.

An international group of researchers, headed by Harold Holder at the Prevention Research Center in California, in response to a request by the Swedish National Institute of Public Health, studied what the effects would be if Systembolaget's monopoly were to be abolished. The group comprised experts from seven different research institutions in a range of countries and the starting point for the report was that Systembolaget's stores were replaced, either by sales in licensed stores that only sell alcoholic drinks, or by sales in food stores. It is calculated that a scenario in which Systembolaget's 400 or so stores were to be replaced with 800 licensed stores would lead to an increase of approximately 17 per cent in alcohol consumption. This is, in turn, expected to lead to:

- 770 more deaths per year
- 8,500 more cases of violence reported to the police
- 2,700 more cases of DUI (driving under the influence)
- 4.5 million more days of sick leave per year

If alcohol were, instead, to be sold in all of Sweden's 8,000 food stores, the experts anticipate an increase in consumption of 37 per cent. The corresponding increase in harmful effects would entail:

- 2,000 more deaths per year
- 20,000 more cases of violence reported to the police
- 6,600 more cases of DUI (driving under the influence)
- 11 million more days of sick leave per year

Delimitation: Systembolaget delimits this indicator to apply to affects at national level.

ENVIRONMENTAL IMPACT

EN4 Indirect energy consumption by primary source

Energy consumption, the Group*	2012	2011	2010
	Indirect energy consumption, Electricity (MWh) Stores	Indirect energy consumption, Electricity (MWh) Stores	Indirect energy consumption, Electricity (MWh) Stores
Source (non-renewable)			
Fuel from crude oil (e.g. diesel, petrol)	0	0	0
Nuclear power	0	0	0
Non-renewable, source cannot be identified	0	0	0
Source (renewable)			
Solar power			
Wind power	449	452	402
Hydroelectricity	17,069	17,176	15,267
Biofuels	449	452	402
Renewable, source cannot be identified			
Source cannot be identified	0	0	0
Total MWh consumed indirect energy**	17,967	18,080	16,071

*Refers to electricity consumed (indirect energy consumption) and energy consumption from fuel consumption (direct energy consumption).

** The figures refer to stores that we regard as "set to zero", i.e. stores where we have the electricity consumption figures for the full year and no renovation work has been carried out. The figures for 2012 and 2011 include electricity consumption by 229 stores, while the 2010 figures include electricity consumption by 203 stores.

EN17 Other relevant indirect greenhouse gas emissions by weight

Systembolaget adopted an environmental plan focusing on climate impact, including transportation, in response to the findings of the 2011 environmental audit. The means of transport chosen for our products throughout our supplier chain, all the way from cultivation, via manufacturing, to our stores is very significant in terms of the climate impact to which our transports give rise. In 2013, Systembolaget will consequently be concentrating its work lower down the sup-

plier chain and focusing on transportation. We will also be monitoring compliance with our travel policy by means of ongoing discussions with our travel agency.

The reporting applies to the transports over which we believe we have control, i.e. both our personal transportation and the goods transports between our product depots, stores and agents. Other transports are beyond Systembolaget's control.

Greenhouse gas emissions, the Group	2012		2011		2010	
	Km	CO ₂ , ton	Km	CO ₂ , ton	Km	CO ₂ , ton
Indirect greenhouse gas emissions (personal transportation)*	8,488,418	1,102	7,000,384	918	7,423,057	915
Indirect greenhouse gas emissions. (Systembolaget, depot-store, depot-agent, store-store)**		1,758	–	1,433	–	1,112
Total indirect emissions		2,860		2,351		2,027

*The year-on-year increase since 2011 is due both to increased air travel within Sweden and to an increase in the number of journeys undertaken using company cars and private cars for business purposes. The activity level has been extremely high during the year, resulting in increased travel levels, and our personnel have not always chosen the most eco-friendly alternative. We have also amended the calculation models applied when using private cars on company business.

**The increase in 2012 was mainly due to an increase in the number of bottles transported, both internally and to agents.

EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved

The company took the decision to tighten up its environmental requirements for company cars during the year. The new requirements entail:

- A restriction on carbon dioxide (CO₂) emissions:
 - Petrol- and diesel-powered vehicles: max. 120 g CO₂/km (equivalent of ca. 5.0 litres of petrol or 4.5 litres of diesel per 100 km.
 - Ethanol E85-powered vehicles: max. 9.2 litres of ethanol per 100 km.

- Biogas/natural gas-powered vehicles: max. consumption, 9.7m³ of gas per 100 km.
- Electrically-powered vehicles: max. 37 kWh per 100k m.
- The levels will be revised once per year.

- Other emissions to air. The vehicle shall, at a minimum comply with EURO 5 emission class requirements.

The number of grams emitted per kilometre has fallen this year in comparison with previous years. The effect of the policy will become clearer in the next few years as the leased vehicles are replaced.

Greenhouse gas emissions, The Group	2012		2011		2010	
	Km	CO ₂ , ton	Km	CO ₂ , ton	Km	CO ₂ , ton
Company cars*	1,979,040	346	1,714,090	316	1,832,020	311

*Number of company cars, 2012: 72 (71 in 2010). Note: changes with an environmental impact; more diesel vehicles in the fleet (52 in 2012 vs. 36 in 2010) and actual CO₂ per km has fallen from 185 gr/km (2010) to 176 gr/km (2012), actual driving. General improvement in terms of the average CO₂ impact on the vehicle fleet, according to the manufacturer: 158 gr/km for 2012 vs. 177 gr/km for 2010.

Delimitation: the report is limited to the company's leased company cars.

EN22 Total weight of waste by type and disposal method

Waste product management, the Group	2012		2011		2010	
	Hazardous waste tonnes	Other waste tonnes	Hazardous waste tonnes	Other waste tonnes	Hazardous waste tonnes	Other waste tonnes
Composted	0	0	0	0	0	0
Recycled	0	0	0	0	0	0
Corrugated cardboard						
Wellpapp	0	5,465	0	5,429	0	4,992
Paper	0	134	0	122	0	141
Glass	0	86	0	82	0	150
Plastic	0	249	0	256	0	239
Metal	0	14	0	13	0	19
Other, for example electronics	3	0	4	0	3	0
Total recycled	3	5,948	4	5,902	3	5,541
Incineration (energy extraction)	0	116	0	93	0	94
Landfill	0	0	0	0	0	0
Other, unspecified disposal method*	0	2	0	4	0	53
Total waste in tonnes	3	6,066	4	5,999	3	5,688

*Refers to mixed waste that is recycled, from which energy is extracted, or which is sent to landfill.

Delimitation: the reporting is limited and excludes household waste that is processed by the relevant local authority. There are currently no plans to start measuring household waste by weight.

EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

Before a product can display supplementary labelling information as ethical, organically cultivated, or eco-friendly, it must, amongst other things, have been certified by a third party. Compliance with various EU criteria is required by products labelled as organic, e.g. in order to comply with the EU's organic cultivation requirements, cultivation must have occurred without the use of chemical additives and pesticides and without the use of artificial fertilisers. Some use of copper sulphate and sulphur dioxide is, however, permitted for wine cultivation. This reduces the impact on biodiversity, for example, in comparison with conventional cultivation. Ethical labelling requires fair working conditions for all those involved in the production process. Fairtrade and Fair for Life are examples of this type of certification. The requirements for eco-friendly labelling demand that the

producer works actively with the environmental problems currently associated with the drinks industry, such as climate impact, biodiversity and water usage. Carbon Neutral is one such certification. We are now also, in addition to these types of supplementary labelling information, working to highlight various packaging alternatives and have, for example, introduced a PET labelling system.

Sales of organic products accounted for 3.2 per cent (3.2%) of total sales in 2012. 14.7 million litres (14.8 m) of organically produced goods were sold during the year, corresponding to a small year-on-year decrease since 2011. The reduction primarily occurred in the wine and cider product groups.

SOCIETAL IMPACT

Labour practices and decent work

LA1 Total workforce by employment type, employment contract and region.

Conditions of employment**

2012	Total number	Permanent employees		Fixed period employees		Full-time employees		Part-time employees	
		Number	%	Number	%	Number	%	Number	%
Systembolaget	5,032	4,293	85	739	15	1,382	27	3,650	73
Sales Staff	4,182	3,458	83	724	17	595	14	3,587	86
Store managers	444	444	100	0	0	438	99	6	1
Caretakers	37	32	86	5	14	0	0	37	100
HQ	369	359	97	10	3	349	95	20	5
IQ	4	4	100	0	0	4	100	0	0
Total, the group	5,036	4,297	85	739	15	1,386	28	3,650	72

2011	Total number	Permanent employees		Fixed period employees		Full-time employees		Part-time employees	
		Number	%	Number	%	Number	%	Number	%
Systembolaget	4,834	4,121	85	713	15	1,249	26	3,585	74
Sales Staff	3,986	3,298	83	688	17	466	12	3,520	88
Store managers	434	431	99	3	1	426	98	8	2
Caretakers	39	35	90	4	10	0	0	39	100
HQ	375	357	95	18	5	357	95	18	5
IQ	4	3	75	1	25	4	100	0	0
Total, the group	4,838	4,124	85	714	15	1,253	26	3,585	74

Continued LA1 Total workforce by employment type, employment contract and region.

2010	Total number	Permanent employees		Fixed period employees		Full-time employees		Part-time employees	
		Number	%	Number	%	Number	%	Number	%
Systembolaget	4,825	3,996	83	829	17	1,176	24	3,649	76
Sales Staff	3,980	3,175	80	805	20	415	10	3,565	90
Store managers	429	429	100	0	0	417	97	12	3
Caretakers	57	51	89	6	11	0	0	57	100
HQ	359	341	95	18	5	344	96	15	4
IQ	3	2	67	1	33	3	100	0	0
Total, the group	4,828	3,998	83	830	17	1,179	24	3,649	76

* Refers to all employees as per 31 Dec. 2012. The large numbers of fixed period and part-time employees is due to the fact that we experience sales peaks at the end of the week and are unable to occupy the number of staff needed at weekends throughout the rest of the week. These conditions are common within the retail trade sector.

Delimitation: GRI stipulates that a breakdown by region should be made and that the number of contracted personnel should be reported. There is currently no natural regional breakdown for us and Systembolaget cannot see any additional value in generating such a breakdown. Systembolaget reports the total number of employees as of 31st December 2012, i.e. the number of permanent employees, fixed period employees, those employed on a trial basis, temporary staff and contractors. Systembolaget delimits the indicator to exclude information regarding contractors due to a lack of data in this respect.

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

659 (680) employees left Systembolaget during the year, yielding a staff turnover rate of 16 per cent (17%). The biggest turnover occurs in sales personnel under the age of 30, which may be due to the fact that many of them are students who are doing extra jobs along-

side their studies. Fewer caretakers have also left the company during the year, due to the fact that many have a combination job that entails acting as both sales personnel and caretakers.

Staff turnover 2011*

2012	Number of employees	Number who have left		Women		Men		Full time		Part time		aged <30		aged 30-50		aged >50	
		Number	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%
Systembolaget	4,153	659	16	424	15	235	17	81	7	578	20	302	28	232	11	125	13
Sales Staff	3,330	600	18	392	17	208	20	29	6	571	20	299	29	194	13	107	14
Store managers	434	19	4	9	4	10	5	19	4	0	0	0	0	15	5	4	4
Caretakers	34	1	3	1	3	0	0	0	0	1	3	0	0	0	0	1	5
HQ	355	39	11	22	10	17	12	33	10	6	33	3	27	23	9	13	14
IQ	3	1	33	0	0	1	100	1	33	0	0	0	0	1	100	0	0
Total, the group	4,156	660	16	424	15	236	17	82	7	578	20	302	28	233	11	125	13

2011	Number of employees	Number who have left		Women		Men		Full time		Part time		aged <30		aged 30-50		aged >50	
		Number	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%
Systembolaget	4,054	680	17	448	16	232	18	76	7	604	21	307	31	250	12	123	12
Sales Staff	3,231	620	19	407	18	213	22	30	7	590	21	306	31	211	14	103	13
Store managers	431	14	3	8	3	6	3	14	3	0	0	0	0	13	4	1	1
Caretakers	50	13	26	13	29	0	0	0	0	13	26	0	0	5	28	8	27
HQ	342	33	10	20	10	13	9	32	10	1	8	1	17	21	9	11	11
IQ	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total, the group	4,057	680	17	448	16	232	18	76	7	604	21	307	31	250	12	123	12

Continued LA2 Total number and rate of employee turnover by age group, gender and region.

2012	Number of employees	Number who have left		Women		Men		Full time		Part time		aged <30		aged 30–50		aged >50	
	Number	Number	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%	Left	%
Systembolaget	3,927	588	15	402	15	186	15	73	7	515	18	256	27	195	10	137	13
Sales Staff	3,131	531	17	368	16	163	18	30	8	501	18	253	28	166	12	112	13
Store managers	421	17	4	8	4	9	4	17	4	0	0	0	0	10	3	7	7
Caretakers	60	12	20	9	17	3	38	0	0	12	20	1	50	3	14	8	22
HQ	315	28	9	17	9	11	9	26	9	2	15	2	20	16	8	10	11
IQ	3	1	33	1	33	0	0	1	33	0	0	0	0	1	50	0	0
Total, the group	3,927	588	15	401	15	186	15	73	7	515	18	256	27	195	10	137	13

*Refers to the number of permanent employees and those employed on a trial basis as of 1st January. The percentage who have left is calculated on the basis of the number within the respective category.

Delimitation: GRI stipulates that a breakdown by region should be made and that the number of contracted personnel should be reported. There is currently no natural regional breakdown for us and Systembolaget cannot see any additional value in generating such a breakdown. Staff turnover is calculated on the basis of the number of permanent employees and those employed on a trial basis who left Systembolaget during the year in relation to the number of permanent employees and those employed on a trial basis as of 1st of January 2012. GRI stipulates that the calculation should be made as of 31st December, but Systembolaget believes that a calculation as of 1st January gives a more accurate result. Systembolaget delimits the indicator to exclude information regarding contractors due to a lack of data in this respect.

LA4 Percentage of employees covered by collective bargaining agreements

All employees are covered by Collective bargaining agreements. See LA1 for the number of employees.

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

In 2012, we continued our efforts to reduce absence due to sickness. These efforts are based on our internal rehabilitation routine that ensures we have a clear description of the way in which managers must act during the different phases of absence due to sick-

ness. We also work with tools such as skill development, managerial development, communication/information, and collaboration in order to promote health and prevent ill health.

Absence due to sickness	2012		2011		2010	
	Number of employees	Absence due to sickness %	Number of employees	Absence due to sickness %	Number of employees	Absence due to sickness %
Systembolaget	5,032	5.3	4,834	4.6	4,825	4.9
Sales Staff	4,182	5.7	3 986	5.1	3 980	5.3
Store managers	444	5.0	434	3.5	429	3.3
Caretakers	37	12.3	39	10.2	57	10.2
HQ	369	2.9	375	2.7	359	4.2
IQ	4	1.7	4	2.7	3	1.2
Total, the group	5,036	5.3	4,838	4.6	4,828	4.9

The total absence due to sickness rate has increased by 0.7 percentage points in 2012, largely due to the increase in long-term absence due to sickness (> 15 days) in the 50+ age group in general and amongst women in particular. We will continue to work with absence

due to sickness in 2013 by conducting a systematic review of an analysis of whether the transition to hours worked per year will have an effect on the statistics with regard to the way in which we input time into the system.

Delimitation: Systembolaget only reports absence due to sickness. No statistics are kept regarding occupational injuries, workrelated diseases and lost days. Absence due to sickness is calculated by dividing the number of hours of absence due to sickness by the number of actual hours worked. GRI stipulates that a breakdown by region should be made. There is currently no natural regional breakdown for us and Systembolaget cannot see any additional value in generating such a breakdown. GRI stipulates that contractors should be reported, but due to the complexity of obtaining available data, Systembolaget delimits the indicator from this information.

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

Systembolaget has a structured method of working with skill development. Our goal is for all employees to be covered by a common methodology, from recruitment until the time when they leave the company. We use a toolbox, known as KORUS (Competence & Role Development System), to support our employees in their skill development. The system includes a number of tools, including role profiles for every role within the organisation, interview questions linked to the role for use in conjunction with recruitment interviews, a skills library that describes the skills individual employees should possess, and training activities linked to the development of the various skills. Every individual is personally responsible for their learning. The role of the managers is to lead and coach in such a way that the employees achieve their maximum possible competence in relation to their role.

When an employee leaves the company without personally having initiated his/her departure, Systembolaget can, in certain cases, offer external help in finding new employment outside Systembolaget. In cases where employees are given notice of termination due to lack of work, they are covered by the transition agreement and are hence entitled to support from the Swedish Employment Security Council. The Swedish Employment Security Council works with what is known as transition assistance, which entails the provision of advice, support and guidance in conjunction with termination of employment due to a lack of work. Those whose employment has been terminated due to lack of work can, in some cases, receive income protection in the form of severance pay (AGE). There are no special programmes for planning, assistance and support in conjunction with retirement.

LA12 Percentage of employees receiving regular performance and career development reviews

For the number of employees, please see LA1. The figure for the number of performance and career development reviews is based on Systembolaget's Agerus survey. It is, in other words, the employees themselves who have been asked to say whether they have had a performance and career development review with their

manager during the year. 82 per cent (81%) of our employees have completed performance reviews with their respective managers during the year. The review discussions follow up on and evaluate individual goals and skills.

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

In February 2013, the company management approved the adoption of a new, revised equal opportunities programme. A decision was also taken on an equal opportunities plan in combination with internal regulations designed to counter and manage discrimination. All of these programmes will be implemented in 2013.

The equal opportunities plan will be used as a tool in planning, managing, implementing and following up on equal opportunities work within Systembolaget. The plan will be followed up on and adjusted annually. The goals formulated in the plan shall be set in line with the company's overall goals and vision. Systembolaget has

elected to highlight three focal processes which are of particular importance in the context of this work

1. The marketing of Systembolaget's brand is linked to our mandate, vision and customer service, in that we are both employers and a retail company.
2. A quality-assured and skill-based recruitment process.
3. A target-orientated skill development programme, diversity in management groups and amongst managers ensures diversity at all levels within the company.

Breakdown of employees by gender, age group and ethnic origin

2012	Number of employees	Percentage women, %	Percentage men, %	Percentage aged < 30, %	Percentage aged 30–50, %	Percentage aged > 50, %
Systembolaget	5,032	67	33	36	45	19
Sales Staff	4,182	68	32	43	39	18
Store managers	444	55	45	5	76	19
Caretakers	37	86	14	3	43	54
HQ	369	59	41	5	72	23
IQ	4	75	25	0	50	50
Total, the group	5,036	67	33	36	45	19
2011	Number of employees	Percentage women, %	Percentage men, %	Percentage aged < 30, %	Percentage aged 30–50, %	Percentage aged > 50, %
Systembolaget	4,834	67	33	34	46	20
Sales Staff	3,986	69	31	41	40	19
Store managers	434	54	46	5	76	19
Caretakers	39	82	18	8	38	54
HQ	375	60	40	5	71	24
IQ	4	50	50	0	75	25
Total, the group	4,838	67	33	34	46	20
2010	Number of employees	Percentage women, %	Percentage men, %	Percentage < 30, %	Percentage 30–50, %	Percentage > 50, %
Systembolaget	4,825	67	33	34	45	21
Sales Staff	3,980	69	31	41	39	20
Store managers	429	53	47	4	76	20
Caretakers	57	86	14	7	39	54
HQ	359	59	41	5	70	25
IQ	3	100	0	0	67	33
Total, the group	4,828	67	33	34	45	21

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

7.5 per cent of Systembolaget's employees were born abroad, which is a considerably lower figure than the national average. We have not, to date, worked to attract employees with foreign backgrounds or in our campaigns targeting customers (who are, after all,

potential employees). The new equal opportunities plan that we have drawn up does, however, include activities that will focus on this area.

Percentage Foreign born

2012	Foreign born	Domestic born with two foreign born parents	Domestic born with one domestic and one foreign born parent	Domestic born with two domestic born parents	Total
Managers	5.2%	2.6%	7.5%	84.7%	100%
Men	6.6%	3.1%	6.6%	83.8%	100%
Women	4.1%	2.2%	8.2%	85.4%	100%
Other employees	7.8%	3.1%	9.2%	79.9%	100%
Men	8.4%	3.4%	9.0%	79.3%	100%
Women	7.5%	3.0%	9.3%	80.2%	100%
Total	7.5%	3.1%	9.0%	80.4%	100,0%

Percentage Foreign born

2010	Foreign born	Domestic born with two foreign born parents	Domestic born with one domestic and one foreign born parent	Domestic born with two domestic born parents	Total
Managers	5.2%	2.7%	6.4%	85.8%	100%
Men	5.5%	3.0%	5.5%	86.0%	100%
Women	4.8%	2.4%	7.2%	85.5%	100%
Other employees	7.9%	3.2%	8.7%	80.3%	100%
Men	8.2%	3.7%	9.2%	78.9%	100%
Women	7.7%	2.9%	8.4%	80.9%	100%
Total	7.6%	3.1%	8.4%	80.8%	100%

Background categorised by gender for all individuals aged 18-64 in the country, percentage

2010	Foreign born	Domestic born with two foreign born parents	Domestic born with one domestic and one foreign born parent	Domestic born with two domestic born parents	Total
Men	13.4%	3.1%	6.8%	76.7%	100,0%
Women	14.3%	3.5%	7.5%	74.7%	100,0%
Total	13.7%	3.3%	7.1%	75.9%	100,0%

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

The principles governing pay structures are communicated openly and must not be discriminatory. Those on parental leave are assessed and their pay is set in the same way as if they were actively working. The equal pay action plan was followed up during

the year and resulted in a new job evaluation system that was implemented in 2012 to ensure equal pay for equal work. A salary group has also been appointed to strengthen the cooperation work with our trade union partners.

Pay conditions*	2012		2011		2010	
	Women	Men	Women	Men	Women	Men
Systembolaget	**	**	**	**	**	**
Sales Staff	100	99	101	98	101	97
Store managers	96	106	96	106	95	107
Caretakers	101	95	102	93	100	96
HQ	**	**	**	**	**	**
IQ	***	***	***	***	***	***

* Refer to the median salary for the group/median salary for both groups key performance indicator.

** Not reported as HQ comprises far too large a variation in positions for the reporting to be meaningful.

*** Not reported because the company has too few employees.

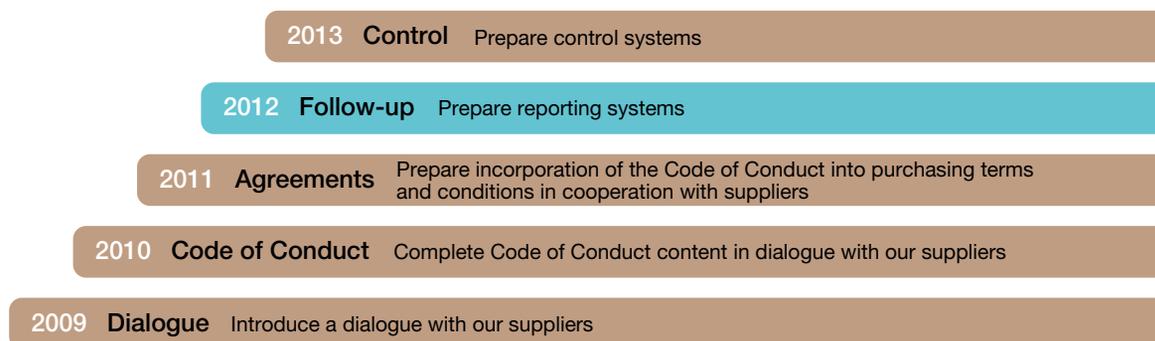
There is a considerable difference between men and women in the store manager category due to the fact that more of the store managers for the major stores are men and pay structures are set, in part, in line with the size of the area for which individuals are responsible.

Delimitation: GRI stipulates that the reporting shall be based on the basic salary, Systembolaget calculates on the basis of the median salary. See indicator LA13 for details of the number of employees and gender breakdown.

Human rights

The five Nordic monopolies' plan for labour conditions and human rights

Systembolaget has been working closely in partnership with the alcohol retail monopolies in Norway, Finland, Iceland and the Faroe Islands on CSR issues since 2008. The partnership is based on a shared, 5-year Nordic development strategy. The work is conducted in phases over time.



The CSR platform, including the Code of Conduct, is the basis of the Nordic CSR partnership.

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

Systembolaget divides its suppliers into two groups: one for drinks suppliers (wet products) and one for other suppliers (dry goods). Systembolaget currently has twenty-two drinks suppliers who account for approximately 80 per cent of sales volumes. These twenty-two suppliers should be regarded as the most significant. We currently have no comprehensive picture of whether any of our subcontractors are significant. The likelihood is, however, that none of our subcontractors can be regarded as significant and this indicator is consequently only reported on the basis of significant suppliers.

If an audit reveals that a supplier is not acting in accordance with the Code of Conduct, an action plan is drawn up and a re-audit is carried out within 12 months to determine whether the supplier has implemented the action plan and is complying with our Code in a satisfactory way. A re-audit of this kind proved necessary in conjunction with the pilot audit carried out in Chile in 2011, where the planning and reporting of working hours and overtime pay were unsatisfactory. Audits are then carried out at three-yearly intervals. A total of three audits have been carried out to date, with one each carried out in

South Africa and Chile in 2011. The one in South Africa was a so-called flying audit and comprised our response to media coverage of alleged divergences from the Code there. None of these divergences were confirmed during the audit and the only black marks against the farm were with reference to drinking water analysis and inadequate signposting of emergency exits. The audit in Chile was a so-called pilot audit for which one of our suppliers and one of the suppliers' subcontractors had voluntarily applied. The pilot audit "failed" the producer with regard to the Code of Conduct's working hours requirement (max. 48 hours/week with a maximum of 12 hours' overtime/week) in that these limits were exceeded during the peak season, and with regard to some of the documentation of the company's policies. A re-audit was carried out in November 2012 and we are still awaiting the results. We also conducted a so-called flying audit of a producer in Tuscany in late November 2012 after we received information about possible divergences from the Code. No such divergences were confirmed during the audit and the producer was deemed to have "passed" the audit.

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

Our alcoholic drinks purchasers and suppliers have received in-depth training in the Code of Conduct during the year from BSCI, along with training in what is required to achieve compliance during

an audit. A total of 75 per cent of the purchasing staff took part in the four hour long training course.

The organisation's role in society

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

According to the international group of researchers behind the Holder report, Swedes' alcohol consumption would increase by almost 40 per cent if strong beer, wine and spirits were sold in food shops. Our role is, in other words, important to everyone in Sweden in both medical and crime prevention terms. In September 2012, WHO Europe adopted a new action plan against alcohol-induced harm for implementation between 2012 and 2020. The measures mentioned in the plan include limiting availability and stated that those countries that have alcohol monopolies should maintain them. Restrictions on the marketing of alcohol are also addressed, including sponsorship of sporting activities and new forms of marketing, e.g. in social media. Higher prices through taxation are also adjudged to be important, and when it comes to the question of cross-border trade, it is stated that lowered taxes generally result in increased harm, rather than in solutions to cross-border trade problems.

The Opinion Index (OPI) is one of Systembolaget's strategic key performance indicators and is measured every month in order to monitor Swedes' support for Systembolaget and the retail monopoly. A representative selection of the Swedish public is asked to respond to the question. "Do you think that Systembolaget and the monopoly on sales of strong beer, wine and spirits should be retained, or do you want strong beer, wine and spirits to be sold in other retail outlets?"

Levels of support for Systembolaget and the monopoly have never been higher, with seven out of every ten respondents wanting to see the monopoly retained. The main reasons given for this strong support are that many believe that it is important that there are controls on sales, that alcohol is sold responsibly and that our young people are protected.

These surveys have been conducted by the SIFO survey organisa-

tion since 2001, when 49 per cent of respondents supported the retention of Systembolaget and the monopoly. We have, in other words, moved from a situation where every other Swede supported us to one where over seven out of ten do – in just over ten years. Support levels are also higher amongst the younger (aged 15-29) and older (aged 65+) age groups and in the northern parts of the country. The main reasons given by the 29 per cent of the population who would like the monopoly to be abolished are that they dislike monopolies on principle and that they think an abolition would result in better availability and opening hours. We are working with evaluations of Systembolaget's mandate and monopoly in order to assess the impact of our operations on local communities.

This is done by means of, amongst other things, the Holder report, Age verification, and OPI (Opinion Index). The programmes comprise Systembolaget AB's operations in Sweden. In the Holder report, researchers have evaluated the consequences if Systembolaget were no longer to exist (see additional information under indicator EC 9). With regard to age verification, a total of 6,349 control purchases (5,733 in stores and 616 from agents) were carried out during the year. The age verification routines entail the salesperson asking for proof of age from customers thought to be under the age of 25, even though the lower age limit for sales is actually 20. The results are presented to the stores and Area Managers in question on a rolling basis. All Area Managers receive a complete presentation of results for the company every week, in which the areas are also ranked against one another. The results form the basis for measures designed to increase ID checks in stores or the area.

The stores which, the reports show, requested ID in 100 per cent of cases of control purchases made over a combined total of 12 months are rewarded.

SO2 Percentage and total number of business units analysed for risks related to corruption

The company management established the annual risk analysis in June 2012. The risk analysis covers the entire sphere of operations and hence comprises the entire Systembolaget corporate group, i.e. stores, head office, and subsidiary companies. A review programme has been set up, based on the risk analysis carried out in 2011, in which the risks adjudged to be most significant have been reviewed in greater depth in 2012. Two areas were highlighted during the year, one of which was corruption. The review has focused on Systembolaget's drinks purchasing process and included both an evaluation of our existing regulations in the sphere and of how well they corre-

spond to our mandate. Regulatory compliance, e.g. with regard to maintenance of brand neutrality, was also examined.

The purchasing terms and conditions for all stores are approved and monitored centrally. The purchasing terms are drawn up and followed up centrally for all stores' purchases and the same applies to follow-ups of improper contacts with suppliers and supporting purchases. The process reviewed is responsible for 100 per cent of all drinks purchases and for 94 per cent of Systembolaget's total purchases. No significant observations were made.

SO3 Percentage of employees trained in organisation's anti-corruption policies and procedures

All new recruits to Systembolaget receive information on the rules governing external contacts and must sign a statement that they have been familiarised with the rules. Managers must confirm on an annual basis that they were familiarised with the rules governing external contacts in conjunction with their performance review discussions. All employees are systematically questioned on the rules governing external contacts during their performance reviews. In brief, these rules state that no one drinks supplier may be treated preferentially in relation to another supplier. The rules also govern the criteria governing acceptance of gifts.

The sales organisation, which mainly comprises our 421 stores nationwide, has an established routine for maintaining employees' and managers' know-how when it comes to ethical issues. Every manager is responsible for conducting a twice-yearly dialogue on ethical issues and the regulations governing external contacts. The issues addressed include setting limits in conjunction with improper

pressure from suppliers. All managers work with a common body of information and training material.

All of Systembolaget's managers, from store managers to the company management met in their respective management groups in 2012 to discuss ethical issues and leadership. All management groups are obliged to hold such ethics dialogues twice yearly. A total of 45 (52) ethics dialogues were held in 2012 – a figure corresponding to 58 per cent (68%) of our target figure for such discussions. The number of ethics dialogues fell in comparison with 2011.

Contacts with suppliers of alcoholic drinks are primarily via Systembolaget's Product Supply Chain business area personnel. The store personnel are only permitted to accept in-store field trips from suppliers or to visit suppliers for training purposes under controlled forms. Contact with store personnel by suppliers in an attempt to influence them in a variety of ways to favour individual products is not permitted.

Percentage of employees who have had a dialogue* concerning anti-corruption work

	2012		2011		2010	
	Number of employees	Percentage of employees who have had a dialogue, %	Number of employees	Percentage of employees who have had a dialogue, %	Number of employees	Percentage of employees who have had a dialogue, %
Systembolaget	5,032	94	4,834	81	4,825	74
Store Staff***	4,219	**	4,025	78	4,037	70
Store manager	444	**	434	91	429	94
HK	369	**	375	89	359	85
IQ	4	**	4	0	3	0
Total, the group	5,036	94	4,838	81	4,828	74

* One of the dialogue areas during the performance reviews addresses Systembolaget's ethics programme and internal rules governing external contacts. The percentage who have had a dialogue figure refers to the "Number of employees who have stated that they have had a performance and career development review during the period." Receipt of the information is checked during the review.

** Not reported separately

*** The store employee category comprises both Sales personnel and Care takers.

We introduced a new employee survey tool, the Agerus performance model, in 2012. Data cannot be produced in the same way as before.

SO4 Actions taken in response to incidents of corruption

There have been no incidents of corruption in 2011.

Product responsibility

PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

We conduct detailed and ongoing monitoring of customers' expectations and their opinions and of whether they think we live up to these expectations with regard to responsibility, expertise and service. We carry out CSI (Customer Satisfaction Index), OPI (Opinion Index), CIS (Customer Interaction Survey), Age Verification Checks and Bright Index measurements. These surveys show that customers regard Systembolaget's monopoly on retail sales as important and that they think our service undertaking is improving continuously thanks to the presence of additional available personnel in-store. Customers feel more welcome, and the total CSI has risen to 81, with over half ranking Systembolaget highly in the list of companies that provide excellent service. The Customer Interaction Survey

shows customers' perceptions of the welcome they receive, our expertise and the responsibility we demonstrate in conjunction with individual visits to our stores. The excellent service rating has risen from 4.0 per cent to 5.3 per cent.

The Customer Interaction Survey is carried out by an independent survey company that visits Systembolaget's stores in order to gain an impression of customers' impressions of the store in question. The individual stores receive feedback on the findings.

Bright Index monitors Systembolaget's Customer Service Department regularly and compares the efficiency of Nordic customer contact centres in 14 sectors, based on 50 or so key concepts.

PR6 Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship

Systembolaget's internal guidelines prohibit the use of active marketing designed to promote additional sales of Systembolaget's alcoholic drinks products. Providing information on the risks associated with alcohol is an important part of Systembolaget's mandate. We do this by means of, amongst other things, in-store information, Systembolaget's website, our Customer Services department, communication activities by the IQ subsidiary company and TV advertising. Systembolaget's compliance with the relevant regulations in this area is ensured by reconciling all market communication against applicable standards and codes before publication.

Checks are also made to ensure that we do not promote additional sales in our stores. Customers are asked, in conjunction with our customer interaction surveys, whether it was the customer's perception that the sales staff attempted to sell more than the customer had intended to buy. The customer interaction surveys are carried out continuously and summarised monthly. We also carry out checks of product displays to ensure that no product is overexposed or favoured in comparison with other items. These store visits are made as required, and 48 stores were checked at 53 occasions in 2012.

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

No cases have been reported in 2012.

Definitions

Age verification

Age verification measures the number of occasions when proof of age has been requested as a percentage of control purchases. The control purchases are made by people in the 20–24 age group. Systembolaget engages an external consultancy company to conduct the purchases. A total of over 6,000 control purchases are made per year in stores and at agents, whereof approximately 600 at agents. Age verification is measured and reported every month.

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

Capital employed

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

Cash flow per share

Cash flow 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 aid 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 that the Systembolaget store is?

The customers' answers, which are given on a scale from 1 to 10, are converted to a figure between 10 and 100. Systembolaget engages an

external consultancy company to conduct the survey. The survey base comprises a total of approximately 32,000 randomly selected customers, spread over all of the stores. The CSI is measured and reported once a year.

Dividend per share

Proposed/disbursed dividend divided by the average number of shares

Earnings per share

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

Employee Satisfaction Index (ESI)

Measured once a year and shows how employees perceive the potential that their workplace offers for them to carry out their duties.

Ethical labelling

The product requirements are designed to ensure fair working conditions for the people involved in all stages of the product's entire manufacturing chain. Ethical certification bodies include Fairtrade and Fair for Life.

E-service

Service provided and conducted electronically over the Internet.

Excellent Service

The "Excellent Service" rating is not given in conjunction with normal good service. It is only given for service that has been extraordinary, i.e. when the service has been so good that the customer cannot refrain from telling friends and associates about what happened. The feeling persists long after the visit is completed and the customer is already looking forward to the next visit. Wow! What Excellent Service!

Global Compact

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

GRI – Global Reporting Initiative

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

Gross margin excluding alcohol tax

Gross profit as a percentage of income excluding alcohol tax.

The Holder Report

An international group of researchers headed by Harold Holder at the Prevention Research Center at Berkeley, California, was commissioned by the Swedish National Institute of Public Health to study the effects if Systembolaget's monopoly on retail sales of alcohol were to be abolished. Source: Alcohol Monopoly and Public Health: Potential effects of privatization of the Swedish alcohol retail monopoly. Harold Holder et al. Swedish National Institute of Public Health, 2007, updated by Thor Norström with figures for 2006.

Independent

A Member of the Board who is, according to the owner, to be regarded as independent in relation to the company and the company management.

IQ Alcohol Index

Measured once a year and shows people's attitudes to alcohol and alcohol consumption.

Operating margin

Operating profit/loss as a percentage of income.

Opinion index – OPI

The Opinion Index measures the percentage of the Swedish population who wish to retain Systembolaget and the monopoly on retail sales of strong beer, wines and spirits. The survey base is asked to respond to the following question:

Do you think that Systembolaget and the monopoly on the sale of strong beer, wines and spirits should be retained, or would you prefer strong beer, wines and spirits to be sold in other stores? Systembolaget engages 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 stock-taking, pro mille 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 2012) 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.

Supplier Quality Index, SQI

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

Wastage

Wastage, as established during stocktaking, pro mille 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 will be held in Stockholm on the 25th of April 2013.

Financial calendar, 2013

27th April 2013	Interim Report, January–March 2013
15th August 2013	Interim Report, January–June 2013
30th October 2013	Interim Report, January–September 2013
14th February 2014	2013 Financial Statement

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Systembolaget is there for everyone. And we make a difference. Everyone should be able to rely on us to sell responsibly. 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.