



ANNUAL REPORT AND
SUSTAINABILITY REPORT

2021

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ALKO IN BRIEF

- Established 5 April 1932
- Head office in Helsinki
- 100% State-owned

Alko's mission is to sell alcohol responsibly and to serve both our customers and Finland's welfare society as best we can. Our selection of about 11,500 products brings the whole world to our customers' fingertips through multiple channels.

We want to work together to create a responsible food and drink culture. In our day-to-day operations, we are uncompromising in age-limit checks, develop the transparency of procurement, take care of the recycling and product safety of packaging materials, and implement projects that promote wellbeing.

The Finnish Institute for Health and Welfare conducts an annual survey of the public's opinions on alcohol policy. 61 per cent (66) of Finns consider the current restrictions imposed by alcohol policy to be suitable or would like to see tighter restrictions. We treat all of our stakeholders equally and transparently and without discrimination. Decisions on the listing, pricing, delisting and in-store display of products are made on impartial and non-discriminatory grounds.

KEY FIGURES 2021

Average number of personnel

2,472
(2,454)

Stores

368
(364)

Pick-up points

and 143
(126)

Million
customer visits

55.4
(57.2)

Products: approx.

11,500

Beverage suppliers
from

79
different countries

Sales in litres accounted for
by Green Choice products
(per cent)

47.2
(35.7)

Success rate in age-limit
mystery shopping

93.6
(97.9)

Total sales
(million litres):

89.0
(92.7)

Taxable net sales
(EUR million)

1,290.3
(1,296.7)

Profit for the financial year
(EUR million)

55.4
(50.9)

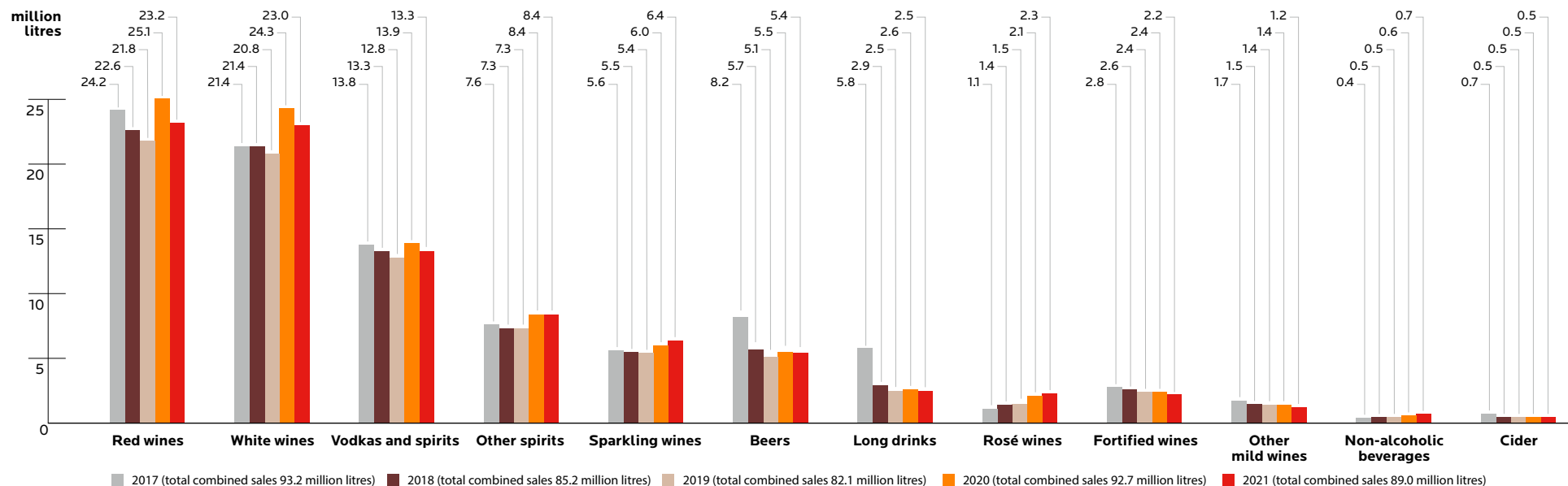
Alcohol tax
and VAT paid
(EUR million)

966.0
(967.4)

Equity ratio
(per cent)

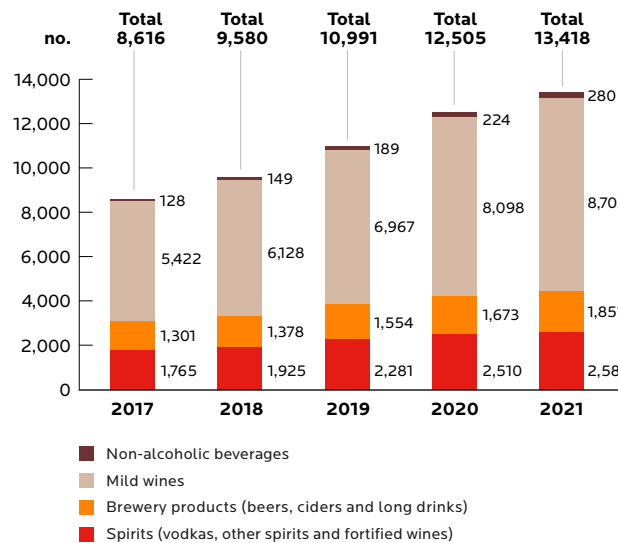
37.5
(36.8)

SALES BY PRODUCT GROUP

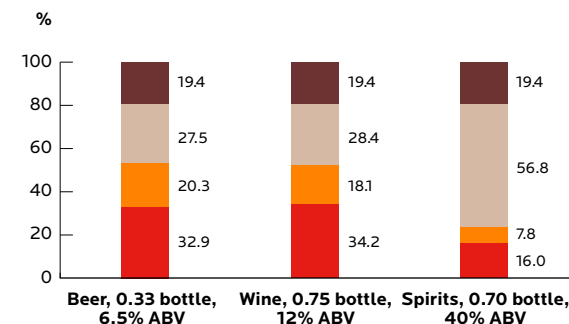


NUMBER OF PRODUCTS BY PRODUCT GROUP

The figures include all products sold and all bottle and package sizes.



PRICE FORMATION OF ALCOHOLIC BEVERAGES (EXAMPLE)



ALKO BY REGION, 2021

		Employees during the year	Number of stores	Customer visits (million)	Success rate for age-limit checks during test shopping, (target 98%)	Alcohol tax and VAT from sales (EUR million)	Growth in online shop pickups	Percentage of Alko's total sales in litres
1.	Uusimaa	1,133	86	17.6	91.5%	236.9	35.3%	32.1%
2.	Southwest Finland	338	31	5.0	95.2%	74.0	26.4%	9.4%
3.	Satakunta	143	16	2.1	95.3%	33.3	19.3%	3.8%
4.	Kanta-Häme	124	12	1.7	97.9%	25.9	23.0%	3.2%
5.	Pirkanmaa	359	32	5.4	94.5%	75.0	25.6%	9.2%
6.	Päijät-Häme	149	17	2.2	94.1%	31.4	26.9%	3.8%
7.	Kymenlaakso	114	11	1.7	93.2%	25.2	18.2%	3.3%
8.	South Karelia	101	9	1.3	94.4%	19.1	27.5%	2.4%
9.	South Savo	113	14	1.5	92.9%	23.1	21.3%	2.9%
10.	North Savo	154	17	2.4	92.6%	36.5	23.1%	4.4%
11.	North Karelia	89	12	1.5	93.8%	22.7	15.0%	2.5%
12.	Central Finland	153	20	2.6	97.5%	38.4	21.4%	4.8%
13.	South Ostrobothnia	105	17	1.6	97.1%	24.7	9.5%	2.7%
14.	Ostrobothnia	107	8	1.3	87.5%	20.4	16.4%	2.6%
15.	Central Ostrobothnia	55	4	0.6	87.5%	9.7	12.3%	1.1%
16.	North Ostrobothnia	229	27	3.5	95.4%	51.8	22.6%	6.0%
17.	Kainuu	52	9	0.8	94.4%	12.3	11.9%	1.4%
18.	Lapland	150	24	2.1	89.6%	34.0	18.1%	3.8%
19.	Åland Islands	19	2	0.2	100.0%	4.4	39.4%	0.6%
								100.0%



HIGH- LIGHTS OF 2021

JANUARY

The Carbon Neutral symbol was added to our **Green Choice** markings. This symbol denotes products whose carbon dioxide emissions from production have been reduced and the remaining emissions have been compensated.

[→ Read more](#)

FEBRUARY

With Alko's support, the Life Education Foundation released **Puhutaan päihteistä** (Let's talk about intoxicants), a podcast that encourages parents to engage in open discussion about intoxicants with their children.

A new store was opened in Rusko, Oulu.

Alko's **Trend Report** examined the most interesting phenomena of 2021.

[→ Read more](#)

MARCH

A new store was opened in Kerava.

APRIL

Alko got involved in creating and testing **Work to Belong**, the world's first programme to prevent loneliness in the workplace. The programme was launched by HelsinkiMissio.

Alko's laboratory (ACL) celebrated its 80th anniversary.

[→ Read more](#)

MAY

Our sales supervision campaign **#todistaikäsi (#proveyourage)** encouraged young customers to take the initiative and show their ID when shopping at Alko.

We were involved in a Finnish **study of remote working**.

JUNE

We were involved in supporting **Helsinki Pride Week 2021**.

We introduced **MobilePay as a payment option** in both Alko stores and the online shop.

JULY

We launched the **#perjantai puhelu (#fridaycall)**, as part of the loneliness theme in Alko's responsibility work for 2021.

[→ Read more](#)

We determined **our carbon footprint** – beverages and their packaging account for 77 per cent of our climate load.

AUGUST

We introduced Kupla – a modern **virtual learning environment** for our staff.

SEPTEMBER

FASD day 9 September Alko stores opened their doors at 9:09 a.m.

[→ Read more](#)

We started collaborating with **Kaverisovellus**, an app that helps to fight loneliness.

Alkotoive celebrated its first birthday. During the first 12 months, we received 44,000 requests, a third of which we were able to fulfil.

[→ Read more](#)

OCTOBER

We ranked first for customer experience in Data & Marketing Association of Finland's 2021 survey.

A new store was opened at the Seinäjoki Ideapark.

We introduced the **Alma mobile app** to aid in-store staff in customer service situations.

NOVEMBER

In the National Customer Service Feedback Survey, **Alko was ranked number one for customer service in the retail trade** for the 13th time in a row.

The number of registered customers in the online shop broke the 200,000 milestone.

We funded university researcher Nelli Lyyra's study on **Loneliness and alcohol**.

We used unsold mulled wine to make **Glövikki marmalade** and gave out samples in our stores.

We introduced **collars for damaged packaging and non-alcoholic products**.

DECEMBER

Downloads of the **Alko mobile app** increased, amounting to about 180,000 by the end of the year.

Alko and the Finnish Olympic Committee gave the 2021 adult **Tähtiseura award** to Aisti Sport.

A new store was opened in Koivuhaka, Vantaa.

A 90-YEAR-OLD CUSTOMER SERVICE PROFESSIONAL

Alko started trading on 5 April 1932, and is therefore celebrating its 90th anniversary in 2022. Customer supervision has been replaced by professional, responsible and multichannel service.

PHOTOS: HOTEL AND RESTAURANT MUSEUM



ALKO STARTED TRADING – 543210

When Prohibition ended, the first Alko stores opened on 5 April 1932 at 10 a.m. A total of 48 stores were opened in all Finnish cities and the township of Rovaniemi. By the end of 1932, there were already 81 Alko stores. The selection consisted of 164 products.



WAR SCALES BACK BUSINESS

Store opening hours were reduced during the mobilisations of 1939 and 1941. Alko stores were closed in some parts of the country during the war.



LIQUOR CARD INTRODUCED

In the 1940s, a “buyer monitoring system” was implemented with the aid of a liquor card on which all purchases were recorded. The system was discontinued in 1971.



EDUCATIONAL ADVERTISING

In accordance with the law, “objectivity” was the main guideline in advertising for a long time. It was only in the early 1970s that we started talking about “extended consumer education”. Advertising sought “restrained alcohol consumption”.



STRIKES LASTED FOR WEEKS

Strikes closed Alko stores for weeks in 1972 and 1985.



OWN PRODUCTION

Before Finland joined the EU, Alko also produced products and operated in the hotel and restaurant sector. In 1999, Alko Inc. began operating as an independent retailer of alcoholic beverages. Production was transferred to another state-owned company, Altia. Alko's hotel and restaurant business was sold.



REVOLUTIONISING CUSTOMER SERVICE

During the early years, Alko stores were deliberately dreary places. Bottles were stored horizontally and their labels were hidden. Sales assistants were not allowed to show or recommend beverages. The first self-service store was opened on Esplanadi in Helsinki in 1962. Nowadays, multichannel customer service is a top priority for Alko alongside responsibility.

PRESIDENT AND CEO'S REVIEW

Together, we have experienced another exceptional year in a row. Predicting changes in the coronavirus situation has proven to be a challenging task for all of us, regardless of industry. Ensuring the health security of our customers and personnel has been of paramount importance in our operations. During the entire pandemic, we have moved firmly forward with our strategy, aligning our measures with the changing operating environment and our goals. Our goals have remained the same: we want to provide world-class service and be a forerunner in responsibility.

The development of multichannel service has been at the heart of our operations. In line with our plans, we opened new stores in the Rusko area of Oulu, Kerava, Seinäjoki and the Koivuhaka district of Vantaa. The number of online shop orders increased once again. About 223,500 orders were made through the online shop – a year-on-year increase of around 27 per cent. We have received good feedback on our service. For the thirteenth year in a row, our customers ranked our service as the best in the retail sector in Taloustutkimus' customer service survey. In addition, according to the Data & Marketing Association of Finland's 2021 survey, we provided the best customer experience. Our online shop customers were also satisfied, with an NPS* of 76.5.

Our healthy and contented staff play a key role in providing world-class service. We strengthened the service and product expertise of our personnel with digital and virtual coaching. In addition, we were able to organise several face-to-face training

days when the coronavirus situation permitted. On average, Alko employees completed four days of training during the year. We also continued to invest in the occupational wellbeing of our personnel.

Our responsibility efforts focused on preventing loneliness and reducing the climate impacts of our operations. We will continue to work on these important themes this year, too. We seek to reduce loneliness in cooperation with Mieli ry, Finnish Association for Mental Health, and HelsinkiMissio with measures such as the #perjantaipuhelu (#fridaycall) campaign and Work to Belong programme. Green Choice labelled products enable our customers to make more responsible choices. More than 42 million litres of Green Choice products were sold, which is 33 per cent more compared to the previous year.

The continuation of the pandemic and the safety measures deployed by the authorities in response were evident in the alcohol sales channels, as in the previous year. Alko's sales in litres were down four per cent compared with 2020. Likewise, total alcohol consumption will most likely continue to fall. We sold a total of 89.0 (92.7) million litres of beverages during the year. Our net sales including alcohol tax totalled EUR 1,290.3 (1,296.7) million. Operating profit was EUR 67.6 (64.8) million. Our cost-effectiveness improved thanks to the development of processes and operations. The costs/net sales indicator was 23.4 (23.7) per cent. In 2021, our sales generated total revenue of EUR 996.0 (967.4) million in alcohol tax and VAT.



I would like to warmly thank our personnel, customers, suppliers and other stakeholders for 2021! This year, Alko celebrates its 90th anniversary. 543210 is a familiar series of numbers to many people. On 5 April 1932, at 10 a.m., Alko opened its first 48 stores. Throughout its history, Alko has considered it important to evolve in step with the times – always with a focus on serving customers. During our jubilee year, we want to look to the future and continue our renewal to better meet the expectations of our customers and other stakeholders.

LEENA LAITINEN

President & CEO



ALKO'S DIRECTION

ALKO'S DIRECTION

We are creating a responsible food and drink culture _____	10
Alko creates value _____	11
Trends affecting our operations _____	12
Our strategy revolves around the most responsible way to sell alcohol in the world _____	14
Effective action to promote wellbeing _____	16
Working with stakeholders to achieve bigger things _____	18

WE ARE CREATING A RESPONSIBLE FOOD AND DRINK CULTURE

At Alko, we encapsulate the purpose of our existence in two words: responsible enjoyment. This means that we want to create a responsible food and drink culture, help our customers make the best choices, buy and sell products responsibly, and reduce the harmful effects of alcohol consumption.

We talk about responsibility a lot, because our existence and business is based on responsibility. Alcohol is not an ordinary commodity, which is why particular attention must be paid to its sale. Alko was established so that the harmful effects of alcohol consumption can be taken into consideration in the retail sale of alcoholic beverages. Total alcohol consumption and its harmful effects go hand in hand: the more that is drunk, the greater the harmful effects. That's why our primary mission is to sell alcohol responsibly, not to sell as much alcohol as possible.

The Alcohol Act governs our business with regard to things such as opening hours: our stores are shut on Sundays and public holidays. We do not market individual products or reward our staff based on sales volumes. Political decision-making steers the pricing of alcoholic beverages through taxation. For example, half of the EUR 10 price of a bottle of wine is tax.

We promote the wellbeing of people in Finland, and work with our partners to prevent social exclusion. When selling alcohol, we are uncompromising in our age-limit checks. Our stocking decisions and pricing policy are based on responsibility and the equal treatment of all producers and suppliers.

Alko Inc. is a limited company owned by the Finnish State. Alko is a State instrument for implementing alcohol policy, and its operations are regulated by Parliament through the Alcohol Act. By law, the company has the sole right to engage in the retail sale of beverages containing more than 5.5 per cent alcohol by volume, with the exception of microbrewery beers and Finnish farm wines. The Ministry of Social Affairs and Health is responsible for Alko's ownership steering and the National Supervisory Authority for Welfare and Health Valvira for its supervision.

"

Our primary task is to sell alcohol in a responsible manner.



ALKO CREATES VALUE

Alko's value creation model illustrates how we create value for our stakeholders and society.

THE BASICS

100% state-owned

Ministry of Social Affairs and Health is responsible for ownership steering

A task mandated by the Alcohol Act

- Preventing the harmful effects of alcohol
- Regulating the availability of alcohol
- Limited opening hours
- No sales maximisation
- No product advertising, bulk discounts or free gifts
- Equal and non-discriminatory treatment for all suppliers

RESOURCES

Multichannel service network

Social capital

- Alko's skilled and knowledgeable staff: 2,472 employees
- Other employees in the value chain in more than 70 countries of origin

Intellectual capital

- Alko's special mandate makes our work meaningful
- Expertise
- Domestic and international partnerships

Financial resources

- Sales revenue

Natural capital

- The raw materials, energy and water reserves used in beverage production

OUR OPERATIONS

SIGNIFICANCE: RESPONSIBLE ENJOYMENT

CUSTOMER PROMISE: WORLD-CLASS SERVICE

Our mission is to put "the most responsible way to sell alcohol in the world" into practice. Although regulations set the parameters for our operations, there is a lot more to responsibility at Alko.

Respectful customer service and promotion of the culinary arts and drinking culture

Uncompromising sales supervision and tools to prevent the harmful effects of alcohol

A diverse range of safe and high-quality products

Open product pricing and fair in-store display policies

Support for Finnish alcohol research

Communications about topics relating to alcohol and health

Alko's workplace culture

Partnerships and cooperation

Our work is guided by:

- Corporate Governance
- Ethical Principles
- ISO14001:2015 Environmental Management System

THE RESULTS OF OUR WORK

Satisfied customers

- 55.4 million customer visits
- National Customer Service Feedback Survey (KAP): Alko was number one in the retail sector with a score of 8.55.

The responsible sale of alcohol

- Success rate in age-limit test shopping: 93.6%.

Action to prevent the harmful effects of alcohol and to promote people's wellbeing in Finland

- Research into loneliness and alcohol use
- Preventing loneliness, #perjantaipuhelu (#fridaycall) campaign
- FASD campaign for sobriety during pregnancy

Promoting the culinary arts and drinking culture

- Non-alcoholic product group +17%
- Green and Ethical product group +26%

Personnel wellbeing and meaningful work

- Personnel satisfaction, Vuosipulssi (annual Pulse survey) 4.01

Responsibility in the supply chain

- Reducing emissions from beverage packaging
- Increasing knowledge and competence through international cooperation; themes include freedom of association

Key financial figures

- Alcoholic beverage tax EUR 656.3 million, corporate tax EUR 13.9 million
- Dividend for the State EUR 60 million
- Investments EUR 5.1 million

SOCIAL IMPACT

Alko's approval rating

61 per cent of Finns (2020: 66) consider the restrictions imposed by alcohol policy to be suitable.
(THL, Kantar TNS Oy)

Reputation & Trust survey, responsibility image: 3.47 in 2021
(2020: 3.42, on a scale of 1–5)

Alko's influence helps to develop a better drinking culture

- Promoting wellbeing

Increasing awareness of the harmful effects of alcohol and encouraging people to seek help

- We raise important themes for debate – for example, our #perjantaipuhelu (#fridaycall) has reached more than 3 million Finns.

Reducing environmental impacts

- Reducing negative climate impacts
- More sustainable use of natural resources

Sustainability throughout the supply chain

We engage in long-term efforts based on the principle of continuous improvement in order to promote things such as:

- a reduction in the environmental load of beverage production
- ethical recruitment practices
- freedom of association

TRENDS AFFECTING OUR OPERATIONS

The trends affecting Alko's operations include digitalisation, the increasing importance of sustainability and wellbeing, climate change, and the changes in working life.

The excise tax on alcoholic beverages was raised by an average of 5 per cent at the beginning of 2021. For the second year in a row, the coronavirus pandemic has reduced travel and placed restrictions on the restaurant business. As a result of a tax increase and restrictions on availability, total alcohol consumption is likely to decrease further. According to statistics published by the National Supervisory Authority for Welfare and Health Valvira for January–November 2021, total consumption of alcohol purchased in Finland fell by 2.3 per cent. Valvira and the Finnish Institute for Health and Welfare will publish the figures for total domestic sales and consumption later in 2022.

MULTICHANNEL SERVICE

Customers appreciate safe, convenient and high-quality service through multiple channels – shopping and service

that work smoothly between Alko stores and digital channels. More people are choosing products based on a combination of their own research and other consumers' experiences and recommendations. In addition to an increase in online shop orders (+27 per cent), the Alko mobile app has already been downloaded more than 180,000 times (+22 per cent) and an increasing proportion of online orders are being made via the app.

The health and wellbeing trend is still going strong and is being reflected as an interest in non-alcoholic beverages and being sober curious. People are not necessarily giving up alcohol altogether, but are increasingly choosing non-alcoholic options and questioning their own habits. Methods for manufacturing non-alcoholic beverages have improved, and higher-quality products have led to increased demand.

"

Customers appreciate safe, convenient and high-quality service through multiple channels.



MITIGATING CLIMATE CHANGE

Mitigating climate change requires everyone to pitch in. Companies must reduce their climate emissions, use renewable energy, promote biodiversity, and enable consumers to make more climate friendly choices. 98 per cent of Alko's climate emissions are caused by its global and local value chains, and 2 per cent by its own operations.

Alko will undertake measures to reduce climate emissions throughout the value chain in collaboration with its partners. The company is committed to meeting the climate targets set by its owner, the State. Our goals include halving climate emissions from beverage packaging and making our own operations carbon neutral by 2030. Our climate roadmap is continually updated with new information and as more climate friendly operating methods are developed.



THE CHANGING NATURE OF WORK

As the coronavirus pandemic continues, Alko is ensuring health security in accordance with official guidelines in terms of both our staff's working conditions and in-store shopping arrangements for our customers. Location-independent remote and hybrid work have increased considerably during the pandemic. Our office-based employees have engaged in remote or hybrid work in accordance with current recommendations. Store staff have been given the opportunity to attend digital training sessions.

Technological advances and new ways of working are challenging traditional practices. Technology is increasingly being used in sectors and tasks that have not previously been considered as technical. For example, we worked with our staff to introduce a new mobile app, Alma, which brings together the Alko services most commonly used in customer encounters.

OUR STRATEGY REVOLVES AROUND THE MOST RESPONSIBLE WAY TO SELL ALCOHOL IN THE WORLD

Alko's mission is to be the most responsible seller of alcohol in the world and our vision is to be esteemed by our customers. World-class service and being a pioneer in responsibility are at the core of our strategy.

Alko's mission is: the most responsible way to sell alcohol in the world. The main priorities of our strategy are:

- **Don't let a drop become an ocean – a pioneer in responsibility**
- **World-class service – commendable contacts**
- **Success through enthusiasm**
- **Agile and efficient – has economic impact.**

By implementing our strategy, we seek to realise our vision of being esteemed by customers.

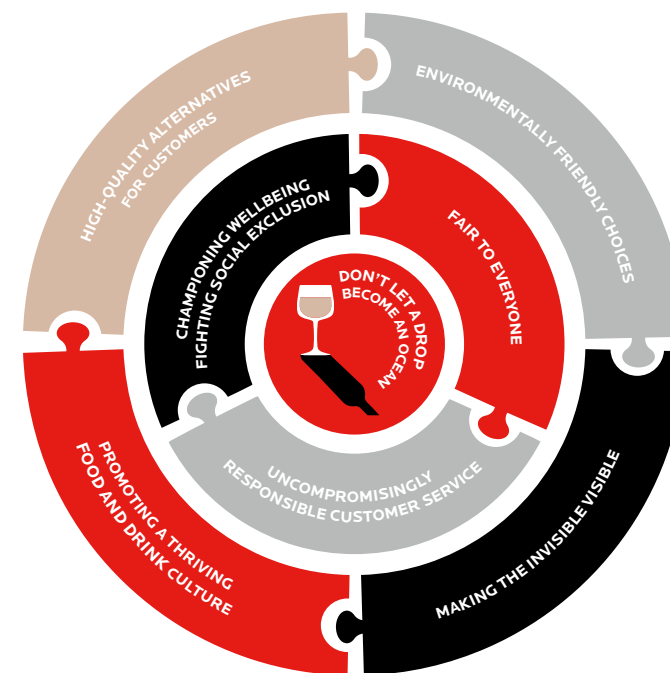
DON'T LET A DROP BECOME AN OCEAN – A PIONEER IN RESPONSIBILITY

Alcohol use is associated with health and social impacts on the individual and society – these are visible in Alko's basic mission: the responsible sale of alcohol. Responsibility is strongly evident in our business operations and processes. Our stores and online shop take an uncompromising approach to responsibility in alcohol sales. In collaboration with our partners, we take action to promote wellbeing and prevent social exclusion in Finland.

We reduce climate emissions from our own operations and both the manufacture and transportation of products. We develop transparency in the supply chain, so that our customers can make choices that work in the best interests of both the environment and the workers and communities involved in primary production. We ensure responsibility and ethics in the supply chain in cooperation with our stakeholders.

We promote Finnish food and drink culture by helping our customers to find suitable beverages for different situations. We offer responsible beverage options: non-alcoholic and low-alcohol beverages, and small package sizes. We also ensure that the products we sell are safe.

We treat our customers, employees and other partners equally, transparently and without discrimination. We communicate openly about our responsibility efforts and their effectiveness. Responsibility is managed in a target-oriented manner in seven areas. These areas cover all of Alko's activities.



AREAS OF RESPONSIBILITY

Climate change and the coronavirus pandemic are further strengthening the importance of responsibility-related work among our stakeholders. We updated our materiality assessment of responsibility themes in 2021, and the most important themes of our responsibility action are preventing the harmful effects of alcohol, responsibility for the supply chain, and the responsible treatment of employees. We will also be paying even more attention to biodiversity, partnerships and sustainability expertise – for example, by developing our own data capabilities.

WORLD-CLASS SERVICE – COMMENDABLE CONTACTS

We want to offer our customers an expert and smooth multichannel service experience. In our stores and customer service, there is always an expert present who listens, makes suggestions, and makes customers happy by finding suitable solutions. We are easy to approach and want to leave our customers with a good impression.

We want to provide our customers with the world in a glass: a diverse and up-to-date selection that suitably combines chain management with a local approach. Our products are researched and safe. Our customers can influence the selection available at their local store through the Alkotoive request service. An extensive service network and the further development of smooth services in all channels are our priorities.

SUCCESS THROUGH ENTHUSIASM

We will continue to strengthen our personnel's expertise and develop competence at Alko. We are enhancing leadership and supervisory work. At Alko, diversity and differences are strengths that we harness. We build our culture through our everyday work. The cornerstones of our culture – working together, clarity and impact – are visible to our customers, too.

AGILE AND EFFICIENT – HAS ECONOMIC IMPACT

We are continuously improving and developing what we do, whether it's knowledge management or modernising processes or systems. We pay attention to cost-effectiveness and smooth workflows, and are open to trying out modern new practices. We constantly develop our background processes to ensure that we are at the forefront of development. Our teams can influence their own work and participate in development, which accelerates both decision-making and implementation.

The revenue Alko collects via alcohol tax, VAT and fees, as well as the profits it distributes, are used to provide public services.

2030 SUSTAINABILITY TARGETS SUPPORTED BY OTHER STRATEGIC TARGETS

Image: 123rf.com

Approval rating 70%, an Alko service point in 100% of all municipalities

**DON'T LET A DROP BECOME
AN OCEAN – TAKING EFFECTIVE ACTION
TO PROMOTE WELLBEING**

Top 10 placing in the
Reputation & Trust survey
Impact studies

**UNCOMPROMISINGLY RESPONSIBLE
CUSTOMER SERVICE**

100% performance in sales supervision in
stores, supported by technical solutions

ENVIRONMENTALLY FRIENDLY CHOICES

Climate emissions from beverage packaging
vs 2020: -50%

MAKING THE INVISIBLE VISIBLE

100% transparency in the supply chain for
the main raw materials used in beverages



Alko's responsibility experts are inspired and inspiring

STRATEGY HONED TOGETHER WITH PERSONNEL

Our current strategy was drawn up in 2018 and honed together with Alko personnel in small groups and online workshops that were open to all employees. In autumn 2020, we updated our strategy in response to the changes that the coronavirus pandemic has caused in our operating environment, such as breakthroughs in digitalisation, customers' more personalised expectations, and greater awareness of environmental impacts. Our strategy has retained its targets relating to

customers, responsibility, personnel and efficiency. It has also been supplemented with the Alko story and a target-oriented culture.

We will update our strategy in the spring of 2022. Alko personnel will be involved in honing our strategy in internal workshops and working groups.

EFFECTIVE ACTION TO PROMOTE WELLBEING

Responsibility is managed in seven areas in line with Alko's strategy. These areas cover all of Alko's operations based on our primary role as a responsible seller of alcohol. We set long-term objectives for responsibility and draw up an annual action plan to support the achievement of these goals.

Alko sets clear annual targets for both responsible operations and their development. The responsibility working group handles the development projects and measures relating to responsibility. The Management Team reviews responsibility issues that are of key relevance to the strategy and action plan. The leader of each business unit and support function bears responsibility for operational management.

Alko's Board of Directors regularly reviews the key responsibility measures that are prepared by the Board's Responsibility Committee. The Supervisory Board approves the annual plan for responsibility measures and presents a report on the actions carried out during the previous year. The President & CEO reports on the implementation of the responsibility plan to Alko's General Meeting (AGM). The AGM decides on the maximum amount of donations to be granted by the company. Alko engages in close cooperation in environmental issues and both the traceability and ethicality of the supply chain with the alcohol monopolies of Sweden, Norway, Iceland and the Faroe Islands.

In 2020, we commissioned an impact analysis of the factors of responsibility in T-Media's Reputation & Trust survey. Its results indicated that the factors that have the most significant

impact on our corporate social responsibility image are our efforts to prevent and remedy the harmful effects of alcohol consumption, our promotion of responsibility in food and drink culture, and highlighting cultural and geographical aspects of beverages. Conscientious compliance with legislation and regulations is also required of us. We are expected to sell only safe and carefully researched products and to invest in training for personnel. The materialities of responsibility were updated in 2021 to serve as background material for the upcoming strategy update in 2022.

Responsibility is also highlighted through a number of themes in our various communications channels. These themes seek to increase awareness of Alko's responsibility efforts among stakeholders. At the same time, our staff can see the practical implementation of the responsibility efforts, which makes their work more meaningful. In 2021, our communications emphasised not only safe shopping, but also the theme of loneliness. Other themes included carbon-neutral and ethical products, #todistaikäsi (#proveyourage) age-limit check campaign, the international FASD awareness day (Fetal Alcohol Spectrum Disorders), environmentally responsible packaging symbol from Green Choices and Pride.



Alko's sustainability targets for 2030 also promote the objectives of eight of the UN's Sustainable Development Goals.

- 3. Good health and wellbeing
- 6. Clean water and sanitation
- 8. Decent work and economic growth
- 12. Responsible consumption
- 13. Climate action
- 14. Life below water
- 15. Life on land
- 17. Partnerships for the goals

Promoting the UN's sustainable development objectives is also part of the cooperation between Alko and the other Nordic alcohol monopolies. Other cooperation and partnerships are also an integral part of Alko's sustainability work.

Alko's responsibility programme also covers environmental issues. Its implementation is led by an expert in sustainable development, who engages in development work with experts from other units to consider environmental perspectives in the development of our supply chain, product selection, store network, and product communications. Our environmental policy states that our activities must be developed with an eye to environmental perspectives: by saving natural resources and reducing their consumption.



WORKING WITH STAKEHOLDERS TO MAKE A GREATER IMPACT

Cooperation and interaction with stakeholders is an essential aspect of our operations. Stakeholder feedback helps us to understand the trends and signals in our operating environment. It steers both our business development and our sustainability action. Stakeholder expectations have challenged us to harness technology and further develop our operating methods.

Preventing the harmful effects of alcohol consumption is Alko's special mandate and we do this in many ways, such as by supporting Finnish alcohol research and cooperating with organisations and other partners. Although these projects vary in nature, they all share a common goal – to promote wellbeing in society. In 2021, we focused on preventing loneliness in our society, and this work will continue in 2022.

We issued communications on this theme in both our own channels and other media with the hashtag #perjantaipuhelu (#fridaycall). We are also partnering with social media influencers in order to reach new target groups. → [Read more](#)

We provided financial support to organisations that work to prevent loneliness, such as Mieli ry, Finnish Association for Mental Health, and HelsinkiMissio. The number of people needing help has increased during the coronavirus pandemic, and there have not been enough resources to provide assistance to everyone who needs it. Our financial support was primarily targeted at bolstering human resources.

In order to better understand the connection between loneliness and alcohol use, we funded a study on the topic. The results were published in November at the 2021 Mielenterveysmessut mental health fair, which was attended by almost 2,900 experts. The results of the study confirmed that there is a link between harmful alcohol use and the impulse to control negative emotions. People consume alcohol to seek relief from the feelings of anxiety and emptiness that are associated with loneliness. Ways of combatting loneliness were even less well known than ways of addressing harmful alcohol use.

Work to prevent loneliness is also being undertaken in workplace communities at Alko. Alko is involved in HelsinkiMissio's Work to Belong pilot project, which aims to identify ways of preventing loneliness in the workplace.

"

In 2021, we focused on preventing loneliness in our society.



Technology provides concrete ways of finding a friend. The Kaverisovellus app is a free nationwide service for adults that helps people connect through everyday activities, such as finding a jogging partner. With Alko's support, the Kaverisovellus app introduced electronic authentication to make it a safer meeting place for users.

Alko and the Youth Academy were involved in Päihdepäivät, the virtual conference for substance abuse prevention held in May. The theme of the event was "Intoxicants, mood and young people's wellbeing". The aim of our joint stand at the fair was to bring the Youth Academy's services to people's attention, such as its Mahis activities, which Alko has already been supporting for more than 20 years. The event was attended by more than a thousand professionals from the health and social welfare sector.

Other significant cooperation projects to promote wellbeing were the FASD campaign in collaboration with the Finnish Association on Intellectual and Developmental Disabilities; working with Heikki Törmi Oy to create a digital recording of the Fragile theatre show for use by organisations; and promoting exercise, wellbeing and healthy lifestyles in collaboration with the Finnish Olympic Committee. Alko also donated a total of EUR 530,000 to Finnish alcohol research.

FASD CAMPAIGN FOR A SOBER PREGNANCY

Alko has already been partnering with the Finnish Association on Intellectual and Developmental Disabilities since 2015 by opening Alko stores nine minutes later than usual on 9 September to raise awareness about FASD. The spectrum of fetal damage caused by alcohol is referred to using the acronym FASD (fetal alcohol spectrum disorders). In Finland, it is estimated that 600–3,000 children are born with some degree of alcohol-related damage each year.

We once again challenged Finland's largest grocery store chains to join the FASD campaign. R-kioski and the S Group once again responded to Alko's challenge by starting the sale of alcohol nine minutes later than normal on FASD day and issuing customer communications advocating a sober pregnancy. Cooperation with social media influencers opened up a new channel for creating awareness. Our awareness campaign alone reached more than 200,000 young adults.

With Alko's support, the Kymenlaakso municipal authority for social and health services was also able to run a pilot at 13 child health clinics. The pilot encouraged clinic staff to bring up the topic of alcohol consumption and thereby help to prevent foetal harm. The project's long-term goal is to create a nationwide model for broaching this topic. Our partners in this project were the Finnish Association on Intellectual and Developmental Disabilities, the Federation of Mother and Child Homes and Shelters, and the A-Clinic Foundation. The training modules for the pilot were completed as planned during the year. This work will continue in 2022.

Greater impact through cooperation between Nordic alcohol monopolies in the international supply chain

All of the Nordic alcohol monopolies in Finland, Sweden, Norway, Iceland and the Faroe Islands have been tasked by law with the same special mandate: to reduce the harmful effects of alcohol consumption. This shared mission has for decades been the impetus for cooperation between the monopolies. Another objective that has been on their shared agenda since 2008 is to increase responsibility both in the supply chain and with regard to products in general.

Nordic cooperation is currently being promoted through three working groups: the alcohol policy, social responsibility and environmental responsibility working groups. The CEOs approve the annual action plans for these working groups. Greater impact is achieved with the aid of a common goal for environmental and social responsibility and through communication with international parties in the supply chain.

STAKEHOLDERS

STAKEHOLDERS	VARIOUS METHODS OF COOPERATION AND PARTICIPATION
Customers	Customer surveys, customer feedback, in-store events, newsletters, customer magazine, trend report, websites and social media
Owner, political decision-makers and supervisory authorities (National Supervisory Authority for Welfare and Health Valvira and Regional State Administrative Agencies)	Contacts, meetings, working groups, websites, Corporate Social Responsibility Report and Annual Report
Organisations, networks and local communities	Meetings, working groups and other cooperation with civic and employee organisations and organisations in the environmental, social and health sectors both in Finland and internationally; websites, Corporate Social Responsibility Report and Annual Report
Personnel	Meeting practices that comply with the management system; coaching; involvement in projects and development work; personnel surveys, indicators and reports; internal communications, websites and social media
Goods suppliers	Procurement terms and conditions for supplier cooperation; continual cooperation and regular meetings, producer visits and events; seminars, audits and training as part of our responsibility-related cooperation; supplier surveys; meetings with industry organisations both in Finland and abroad; websites, Corporate Social Responsibility Report and Annual Report
Lessors	Annual meetings, reviews of investment plans and schedules, social media and websites
Media	Media bulletins and briefings, supplier tastings, interviews, websites and social media, visits, Corporate Social Responsibility Report and Annual Report
Research bodies	Research projects, financial support for Finnish research, information sharing, events, lectures and websites



ALKO'S ASSOCIATION MEMBERSHIPS

Alko has representatives in numerous national and international associations and organisations. The most representative are listed here. The key positions of trust held by members of the Board of Directors are given in the Governance section.

INTERNATIONAL ORGANISATIONS

Amfori Network Finland, Chair: Marja Aho, Sustainability Manager

OTHER ASSOCIATIONS, ORGANISATIONS AND COMMUNITIES

Finnish Foundation for Alcohol Studies, Member of the Board: Ilari Ceder, Public Affairs Manager

The Regional State Administrative Agency's working group for preventing the harmful effects of intoxicants and promoting of health:

Kimmo Mäkelä, Customer Service Director

Confederation of Finnish Industries EK, Member of the Finance and Tax Committee: Anton Westermarck, Executive Vice President, Finance

Helsinki Region Chamber of Commerce, member of the committee for trade and services: Tatu Vanninen, Customer Service Director

Hotel and Restaurant Museum Foundation, Member of the Advisory Board: Marja Aho, Sustainability Manager

Hotel and Restaurant Museum Foundation, Member of the Board of Directors: Sari Karjalainen, Marketing Manager

Häme Chamber of Commerce, member of the committee for trade: Pirjo Hirvonen, Customer Service Director

Central Finland Chamber of Commerce, member of the committee for transport and regional structure: Mika Kauppinen, Customer Service Director

Lapland Chamber of Commerce, member of the committee for trade and cross-border trade: Kaija-Leena Kerkelä, Customer Service Director

EU18 subdivision for wine and alcohol matters at the Ministry of Agriculture and Forestry: Eeva-Maria Rintala, Laboratory Manager

Pakka working group, Hämeenlinna: Pirjo Hirvonen, Customer Service Director

Pakka working group, Kokkola: Kaija Haldin, Customer Service Manager

Pakka working group, Lahti: Pirjo Hirvonen, Customer Service Director

Pakka working group, Lappeenranta: Harri Hokkanen, Customer Service Director

Pakka working group, Oulu: Kaija-Leena Kerkelä, Customer Service Director

Pakka working group, Helsinki Region: Tatu Vanninen, Customer Service Director, and Virpi Valtonen, Sustainability Specialist

Pakka working group, Vaasa: Seppo Metsola, Customer Service Manager

Pakka working group, Varkaus: Mika Kauppinen, Customer Service Director

Pakka working group, Southwest Finland: Juha Laanti, Customer Service Director

Service Sector Employers PALTA, Member of the Board: President & CEO Leena Laitinen

Service Sector Employers PALTA, member of the labour market committee: Heli Hassinen-Biberger, Executive Vice President, Human Resources

Suomen Keräyslasiyhdistys ry, Member of the Board: Maritta Iso-Aho, Executive Vice President, Communications

Suomen Palautuspakkaus Oy, Member of the Board: Tino Battilana, Supply Chain Manager

Tampere Chamber of Commerce, member of the committee for trade: Kimmo Mäkelä, Customer Service Director

Turku Chamber of Commerce, member of the committee for trade and services: Juha Laanti, Customer Service Director



SUPPORT FOR FINNISH WELLBEING

	Amount (EUR)
COLLABORATION PROJECTS 2021	
Mieli ry, Finnish Association for Mental Health (cooperation to prevent loneliness)	100,000
HelsinkiMissio (cooperation to prevent loneliness)	50,000
Finnish Olympic Committee (support for Finnish sports club activities)	45,000
Heikki Törmi Oy (to record Fragile)	24,032
Finnish Association on Intellectual and Developmental Disabilities (FASD cooperation)	20,000
Youth Academy (support for Mahis activities)	20,000
Superlaiffi Oy (Kaverisovellus app)	20,000
Finnish Association for Substance Abuse Prevention (EHYT) (<i>Clearly Good Work</i>)	15,600
Finnish Institute for Health and Welfare (<i>Yhteiskuntapolitiikka</i> magazine)	15,000
Nelli L (Alcohol & Loneliness study)	11,250
Keep the Archipelago Tidy Association and Keep Lapland Tidy Association (environmental cooperation)	13,000
Helsinki Junior Chamber of Commerce (Police Officer of the Year)	3,500
TOTAL	337,382
DONATIONS 2021	
Hotel and Restaurant Museum Foundation (promoting a thriving food and drink culture)	25,000
Joulupuu ry (main partner in the Joulupuu campaign)	10,000
Veikko ja Lahja Hurstin Laupeudentyö ry (Christmas food donations for those of limited means)	10,000
Alko-Altia pensioners (grants for club activities)	7,000
Hotel and Restaurant Museum Foundation's commemorative fund	2,000
TOTAL	54,000
RESEARCH 2021	
Finnish Institute for Health and Welfare (drinking habits survey)	400,000
Finnish Foundation for Alcohol Studies (alcohol research)	90,000
Finnish Institute of Occupational Health (remote working and working capacity study)	40,000
TOTAL	530,000
Championing wellbeing, fighting social exclusion, total (EUR)	921,382



RESPONSIBLE ENJOYMENT

RESPONSIBLE ENJOYMENT

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THE WORLD'S MOST RESPONSIBLE WAY TO SELL ALCOHOL

Our goal is to ensure that alcoholic beverages are not sold to minors, anyone who is clearly intoxicated or behaving in a disruptive manner, or anyone who intends to hand over beverages to someone else. Although our success rate in mystery shopping fell with regard to age-limit checks, it still remained at a good level even though the use of face masks has made it more difficult to estimate customers' ages.

Mystery shopping

Alko commissions mystery shopping from a third party to measure its success in age-limit checks for young customers and their experience of service quality. In mystery shopping, test customers who are of legal age shop at stores and pick-up points. A total of 1,613 mystery shopping visits were made in 2021, of which 1,469 were made at Alko stores and 144 at pick-up points outside Alko stores.



WHY THIS IS IMPORTANT TO US:

Alcohol is not an ordinary commodity. Its consumption causes harmful effects to users' health, finances and personal lives, and also to their loved ones and society as a whole. Alko's mission is to sell alcoholic beverages responsibly. Alko is a specialty store that we all own together. That's why every customer deserves world-class service.



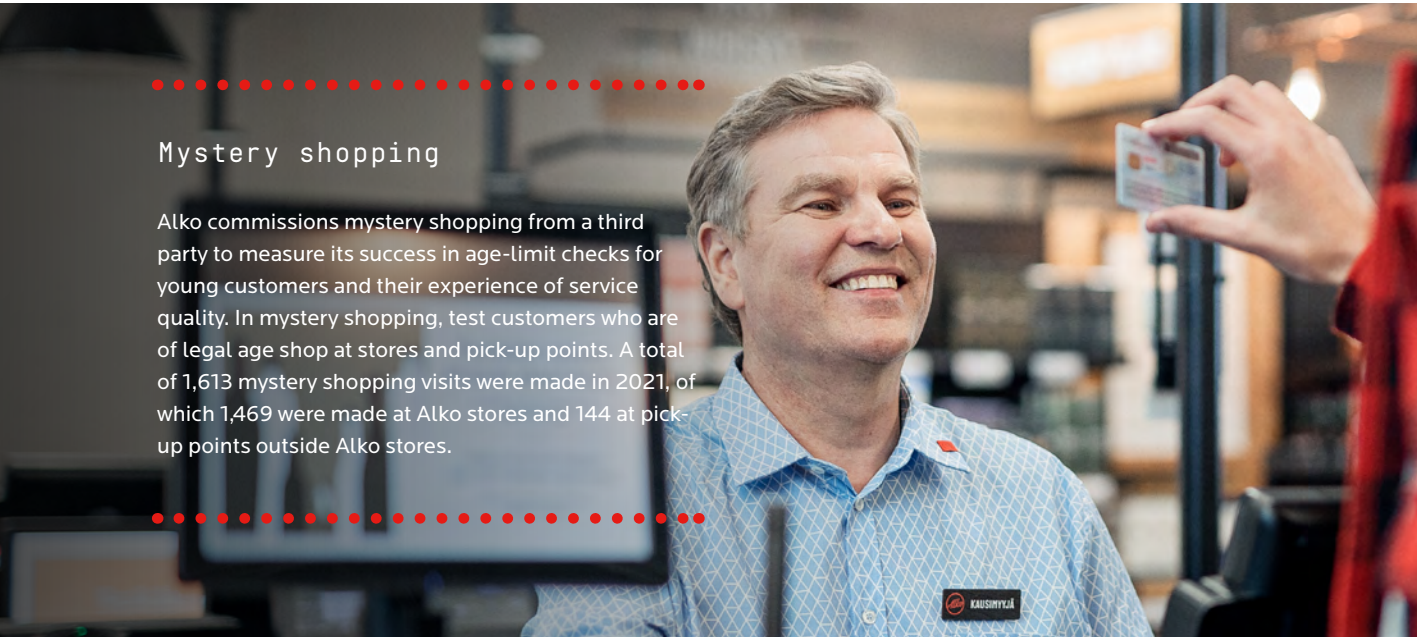
OUR APPROACH:

The responsible sale of alcohol means that Alko does not sell alcoholic beverages to minors, anyone who is intoxicated, or anyone who intends to hand over beverages to others. We continuously develop our staff's responsibility expertise. We also offer our customers non-alcoholic alternatives and small package sizes. Bulk discounts, giveaways, additional sales or the marketing of individual products are not part of our business practices. We provide world-class service and treat all of our customers as individuals with individual needs. We take a comprehensive approach to developing our customer experience.



OUR MAIN OBJECTIVES:

Alko's mission is to be the most responsible seller of alcohol in the world and to provide world-class service. We measure our success in checking the ages of young customers with mystery shopping and self-supervision. The 2021 target for in-store age-limit checks was 98 per cent. We want to engage in genuine interactions with our customers according to their style and pace. Our customers receive knowledgeable and cheerful service.



RESPONSIBLE SALES PRACTICES IN STORES AND AT PICK-UP POINTS

Our goal is to check the IDs of all customers who buy alcoholic beverages and appear to be under the age of 30. Young customers had their ages verified in 93.6 per cent of test visits. Although the result remained at a good level, it fell short of both the previous year's record-breaking result (97.9 per cent) and our ambitious target for 2021 (98 per cent).

We tightened the criteria for mystery shopping age-limit checks with respect to the use of face masks in April 2021, and this contributed to the fall in our success rate. Our salespeople must be able to verify a customer's age, and they cannot do so if the customer's face is covered. A test visit was flagged as a failure if the salesperson checked the customer's ID, but did not ask the customer to remove their face mask while their age was being verified. Our goal for 2022 is a 97 per cent success rate in mystery shopping age-limit checks.

Test purchases of alcohol are made all across Finland as part of the anti-substance abuse activities carried out by cities and municipalities in accordance with the Pakka operating model. During test purchases carried out as part of the City of Lahti's anti-substance abuse activities in autumn 2021, one in three young people were sold cigarettes or alcohol without having their IDs checked. At Alko, the age of every young person was checked.

In May and August, the #todistaikäsi (#proveyourage) campaign encouraged young people to take the initiative and show their ID when shopping at Alko. As part of this campaign, we also encouraged people to remove their face mask while having their age verified. We communicated this with a set of materials on the theme Eyes Don't Reveal Age, and a test on Alko's website also enabled people to try it out in practice, that is, to see how easy or difficult it was to gauge someone's age when they were wearing a face mask. → [Read more](#)

INDUCTION ENSURES RESPONSIBLE SALES WORK

Skilled staff play a key role in ensuring the responsible sale of alcohol. On their first day at work, new employees immediately take a test to gain their Sales Supervision Passport, which provides them with the basic skills required to carry out age-limit checks and sales supervision related to suspected cases of intoxication and handovers. All staff take refresher courses to renew their passports at three-year intervals. As skills develop gradually through experience, it is important to engage in practical learning on the job alongside training.

Skilled staff play a key role in ensuring the responsible sale of alcohol.

Staff at external pick-up points also receive training in responsible sales practices. 66 pick-up points have completed the sales supervision training that was introduced for pick-up points in 2020. As every pick-up point must complete this training, the courses will continue in 2022.

When handing over online orders, staff must check the identity and age of all customers using an official ID. Mystery shopping is used to measure the success of age checks at pick-up points. The result for 2021 was a success rate of 70.1 (93.3) per cent. The substantial decrease in our success rate was due to the tighter criteria for mystery shopping that were introduced in the spring. The majority of failures stemmed from situations in which the salesperson checked the customer's ID, but did not ask the customer to remove their face mask. Our goal is to ensure that responsible policies are followed in all of our sales channels, which is why we will continue to develop the sales supervision competence of pick-up point staff in 2022.

5.7 MILLION AGE-LIMIT CHECKS IN 2022

In addition to mystery shopping, our stores' self-supervision plays an important role in responsibility. In Alko stores, age-limit checks and other sales supervision procedures are entered into our POS system. The results are monitored by region, store and salesperson. This monitoring seeks to ensure reliable sales supervision of a uniformly high standard in all of our stores. In 2021, we verified the age of young customers more than 5.7 (5.4) million times and carried out just under 299,000 (more than 316,000) checks of suspected handovers and over 472,000 (almost 511,000) checks of suspected intoxication.

RESPONSIBLE CUSTOMER SERVICE

	2017	2018	2019	2020	2021
Number of age-limit checks (million)	4.6	4.6	4.6	5.4	5.7
Suspected cases of intoxication (thousand)	670	577	522	511	472
Suspected cases of handover (thousand)	395	359	316	316	299
Number of purchase ban agreements	14	13	22	21	36

PURCHASE BAN AGREEMENT AND CARE CARD

The Care Card and purchase ban agreement are tools for Alko store staff to use when a customer expresses concerns about alcohol use, whether their own or that of a family member or loved one. By signing a purchase ban agreement, customers can voluntarily restrict their ability to buy alcoholic beverages from one or more Alko stores. The initiative to draw up the agreement may come directly from the customer, or from a close family member or a loved one. Purchase ban agreements are always temporary, and can last a maximum of 12 months. A total of 36 (21) purchase ban agreements were made in 2021, all but one of which were total bans.

With the aid of a Care Card, customers can be directed to seek out more information or contact an organisation for help. An updated version of the card was introduced in stores in the spring of 2021. The new Care Card provides contact information for a broader range of organisations. In addition to organisations that provide assistance with substance abuse, there are organisations that offer help with crises and violence, support for those experiencing loneliness, and help with intoxicant use during pregnancy and while nursing. The card is available in stores and has received good feedback from both staff and customers.

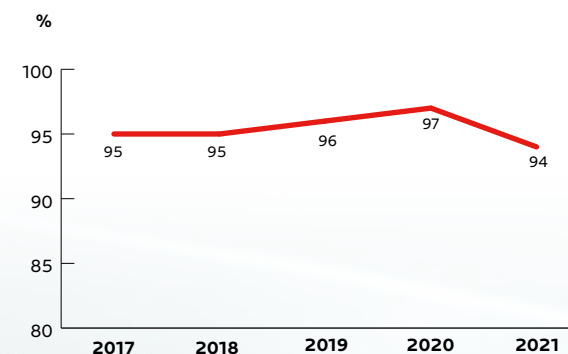
MULTI-CHANNEL SHOPPING PUTS ALKO CUSTOMERS IN GOOD SPIRITS

A positive emotional experience plays a key role in achieving an excellent customer experience. During 2021, our customer service placed a greater emphasis on emotions. We want our customers to leave in a good mood after shopping with us – to feel that, thanks to the tips, advice and personalised service, they have received more than just a product.

Our continual staff training aims to ensure that we can always provide knowledgeable and friendly service both in stores and through our digital channels. A positive emotional experience for customers does not come about by itself – it starts with our employees' own emotional experiences in the workplace. Coaching management and a well-rounded approach to competence development give our staff both the confidence and joy required to provide good service. Customers should also be able to see this relaxed atmosphere.

We have succeeded in providing world-class service to our customers at stores and pick-up points, in our online shop and through our other digital channels. This is evidenced by Alko taking first place for customer experience in the Data & Marketing Association of Finland's 2021 survey. And in the national customer service feedback survey conducted by Taloustutkimus, Alko was once again ranked as the best retail service provider.

STORES' SUCCESS RATE IN MYSTERY SHOPPING TEST VISITS



DIGITALISATION SUPPORTS EFFORTLESS SHOPPING

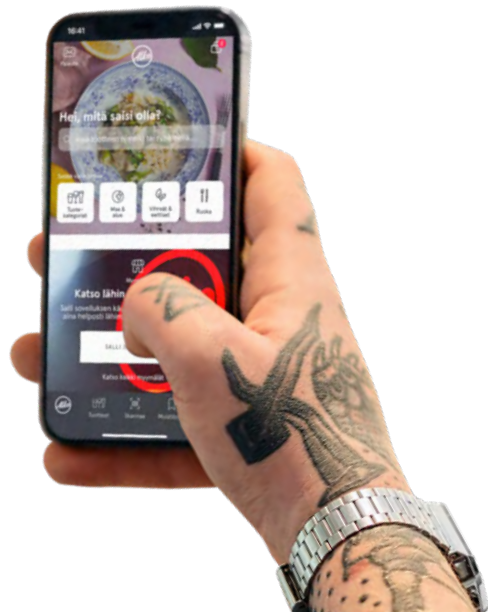
In 2021, we streamlined our digital services and introduced new tools for our staff and customers to support effortless shopping. When it comes to everyday shopping, today's customers want convenience and functional alternatives to suit different situations. New ways of shopping have sprung up alongside visiting an Alko store.

Our online shop offers customers all across Finland an equal opportunity to browse and buy from Alko's entire selection of 11,500 products whenever it best suits them. Orders can be placed via the Alko website or using our mobile app. Online shop orders are delivered for pick up at either an Alko store or a pick-up point. The number of registered customers in the online shop broke the 200,000 milestone in November 2021, and the number of online orders rose by 27 per cent compared to the previous year. → [Read more](#)

Thanks to the Alko app, everyone can now have Alko in their pocket. The mobile app enables you to browse Alko's selection, order products, save personal tasting notes, or chat with our customer service. The app had been downloaded about 100,000 times by the end of 2020, and this figure had increased to about 180,000 by the end of 2021.

Consumers have increasingly been paying with cards and mobile devices, and the coronavirus pandemic has accelerated this trend. During the year, we began upgrading our checkouts to enable mobile payment in both our stores and online shop.

We also introduced the Alma mobile app to provide our in-store staff with a brand-new tool for customer service. This app collates the services that are most frequently required in customer service in one easy-to-use user interface. Alma was designed using our inclusive approach in which development work is carried out in collaboration with staff. The app is developed with users using service design principles.



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There were more than 200,000 users registered in the online shop, and the Alko app had been downloaded about 180,000 times by the end of the year.

STORE NETWORK OVERHAUL

The store network is our largest sales channel, and we had 368 Alko stores all across Finland at the end of 2021. In smaller municipalities, it is supplemented by a service network of 143 pick-up points for online shop orders. Pick-up points are local Alko partners authorised to hand over online shop orders of alcoholic beverages on our behalf. Three out of four Finns live within four kilometres of an Alko service point.

We refurbished 26 stores in line with our new concept during the year, and 54 per cent of all Alko stores had been refurbished by the end of the year. Our store overhaul seeks to update and refresh the overall look and feel of Alko stores, and to make shopping easier with the aid of displays and other improvements. Our goal is to maintain a store network that offers a pleasant shopping experience and to provide the most comprehensive service coverage possible throughout Finland.

We expanded our service network during the year, and opened four new stores in Vantaa, Seinäjoki, Kerava and Oulu. We also opened sixteen new pick-up points for online orders. Our accessibility improved during the year thanks to these new stores and pick-up points.

Alko sales staff served 55.4 million customers during the year. Our customer service centre received a total of about 84,600 customer contacts in 2021, representing a decline of 6 per cent on the previous year. Alko's customer service also provides assistance via chat, phone and email.

We will continue to renew and develop our service network. We are seeking a smoother and more personalised experience in digital service channels. We will continue to increase the number of pick-up points and the coverage of Alko's service network in a controlled manner. Our long-term goal is to have Alko services – a store or pick-up point – in every Finnish municipality.



Customers' wishes are reflected in our service and selection.

We continuously develop our operations by listening to and working with our customers. How do our customers rate us?

Checkout emotion meter

How would you describe your feelings about shopping with us today? Delighted and satisfied 94.5%

Customer satisfaction with the online shop

NPS* 76.5 (74.3)

Satisfaction with customer service

NPS* 81.0 (78.0)

National Customer Service Feedback Survey (KAP)

Alko was number one in the retail sector with a score of 8.55 (8.53). Compared to others, Alko's strengths were speedy shopping and its friendly and expert service.

Mystery shopping service indicator

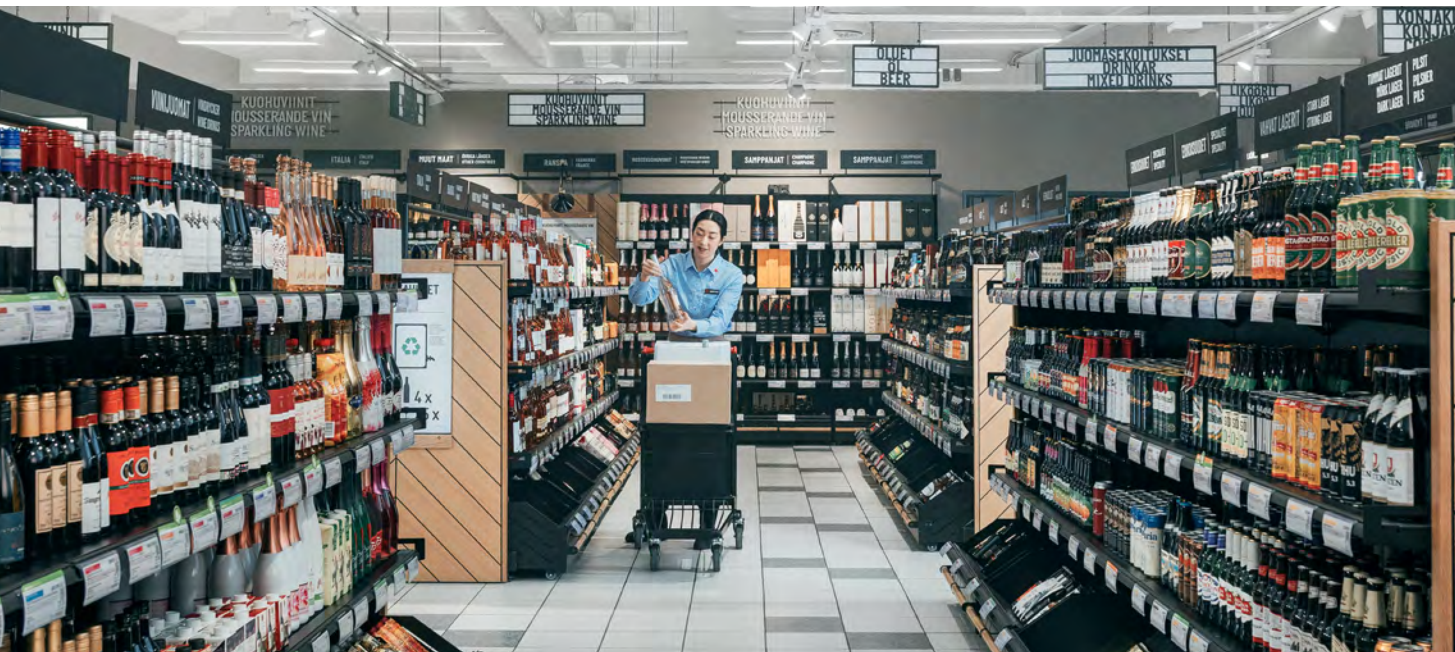
Acknowledging customers on arrival 84.3% (81.5)
Service atmosphere 91.8% (87.0)

Selection satisfaction survey

8.57 (8.56)



* A Net Promoter Score (NPS) indicates how many customers would be willing to recommend a service



MAKE A HABIT OF A FRIDAY CALL

CASE
2021

MAKE A HABIT OF A FRIDAY CALL – TOGETHER, WE CAN OVERCOME LONELINESS

Alko's main responsibility theme in 2021 was loneliness. Sustainability Manager **Marja Aho** explains the reasoning behind the decision: "Research shows that one in three Finns feels lonely – and the COVID-19 pandemic has made the situation worse. We're living in a time when loneliness has become a collective experience. For many people, loneliness and alcohol go hand in hand."

The best cure for loneliness is connecting with another person. Alko, HelsinkiMissio and Mieli ry, Finnish Association for Mental Health Finland are spreading this message in their campaign, "Ota perjantaijuhelu tavaksi" ("Make a Habit of a Friday Call"). The campaign urges people to reach for their phone, as there is always someone wishing for a call.

It was launched in the summer with the aim of reducing loneliness and preventing the alcohol problems that it causes. The campaign was highly visible in Alko's stores and communication channels in the summer.

Alko tackles loneliness by relying on expert information and prevention. Sharing information and steering people towards sources of assistance are the keys to enabling people to help themselves and each other. "This campaign is driven by a strong sense of collective responsibility," says Marja Aho. "Our activities support personal initiative, which is an important aspect of preventing loneliness, in addition to societal action and expert assistance."

EVERYONE CAN ASK HOW IT'S GOING

The working days of Alko salespeople consist of encounters. With this campaign, we have highlighted how meaningful human interaction is to many customers. Salespeople have a tool at their disposal – the updated Care Card, a tool for situations in which a customer expresses concerns about alcohol use, whether their own or that of a family member or someone close to them. The card also includes contact information for parties that help with loneliness. "Alko employees are united by their desire to provide service and help. In fact, the Care Card was originally created on the store staff's initiative," says Marja Aho.

Maria Lähteenmäki, Head of Loneliness Intervention at HelsinkiMissio, says that an individual's actions are decisively important. "Many people would love to hear from someone over the phone – but it doesn't occur to them that they could delight someone else with a phone call, too. Social interaction is easily taken for granted – even though it's the outcome of actions that make you and others feel good."

The campaign has been well-received by customers. Loneliness is considered an important theme, and Alko will continue highlighting this theme also in 2022.

Alko addresses loneliness in its own work community through the Work to Belong programme, developed in association with HelsinkiMissio. Identifying loneliness in supervisory work is included in Alko's new leadership coaching as well.



OTA
TAVAKSI
PERJANTAI-
PUHELU

The products on Alko's shelves will not help you overcome loneliness – the best medicine is connecting with another person. So grab your phone, as there's someone out there waiting for your call. If you don't have anyone to call, you can find support at www.alko.fi/en/responsibly/alcohol-harms-in-daily-life/loneliness



Cooperation



HARNESSING THE POWER OF EMOTIONS

CASE
2021

Alko has a long history as a pioneer in good customer service. We are known for the professionalism and friendliness of our personnel. Customers appreciate this. "I call it our power – it makes us stand out from other companies in the retail sector," says **Sanna Puumalainen**, Customer Experience Manager.

Puumalainen says that Alko set out on the path of personal service early on. Many older customers remember the cheerful service they received at Alko back when all sales were still made from behind a counter – and the company has fostered this spirit of service over the years, in line with the spirit of the times. Nowadays, customer encounters are relaxed and easygoing, and the salespeople can express their own personality.

At Alko, being a pioneer in customer service means a high level of expertise and its continuous development.

"We stay relevant to our customers: we tailor our selection to seasons and trends, and can recommend alternatives. Our pioneering touch is evident in the quality of our service, regardless of where and how customers shop. Whether a customer visits Alko online or in a brick-and-mortar store, we're in touch with the zeitgeist and cater to their needs," says Puumalainen.

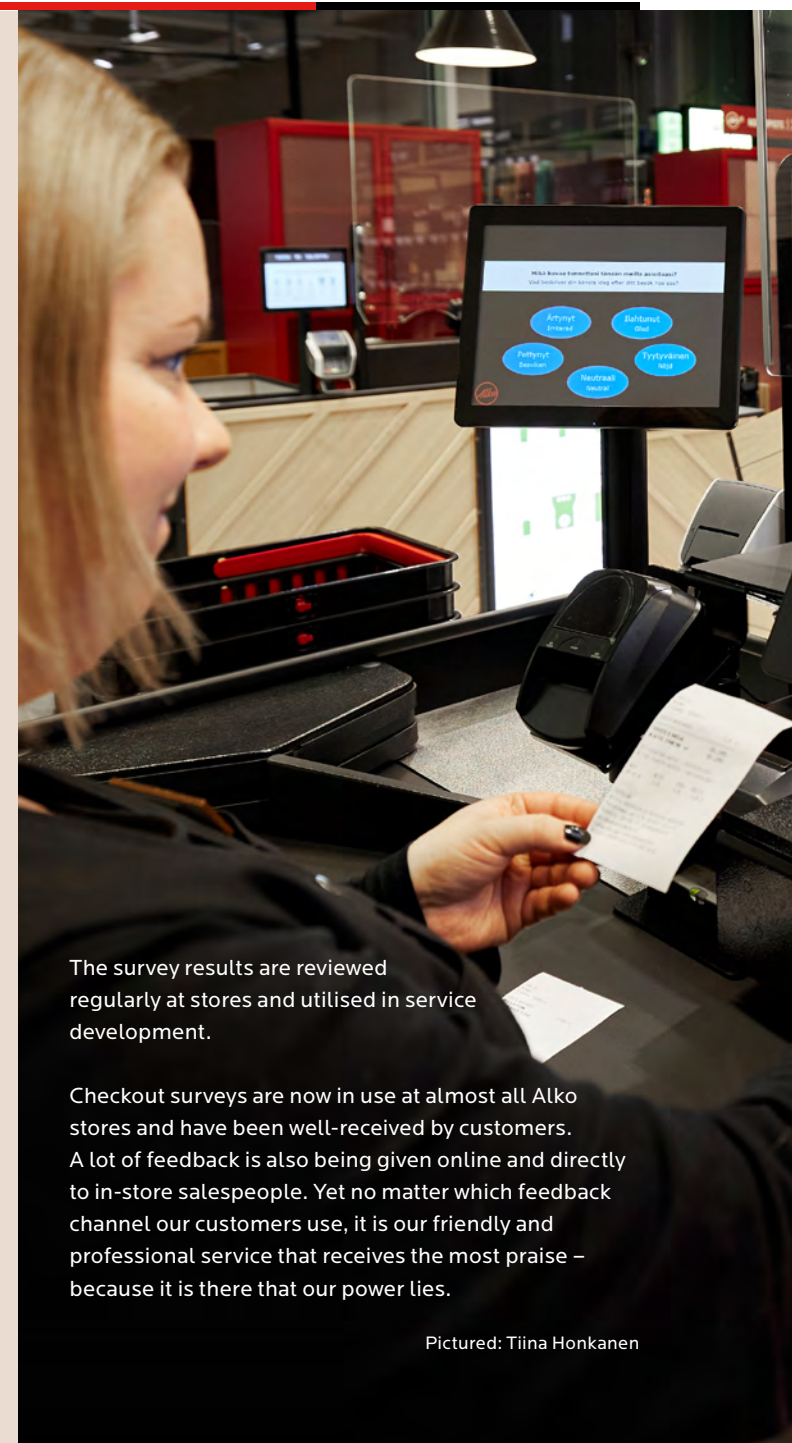
MEASURING THE CUSTOMER EXPERIENCE – THINKING ABOUT EMOTIONS

Alko uses several methods to measure its customer experience – one of these is the checkout survey, introduced in 2017. The survey is presented on the customer display after payment is made and includes changing questions about customer satisfaction. An emotion meter was launched in the summer of 2021 as a new feature.

"Studies show that emotions account for two-thirds of the customer experience. It's therefore important to know how customers feel about their shopping experience," says Puumalainen.

Tiina Honkanen, salesperson and customer service expert at the Alko in Nurmes, says that the checkout survey is a handy tool that helps the stores to stay informed about customer needs and the staff's service performance.

"With the survey, we can keep track of customer satisfaction and compare the daily and weekly results. For instance, we can examine how busy periods affect the customer experience," says Honkanen.



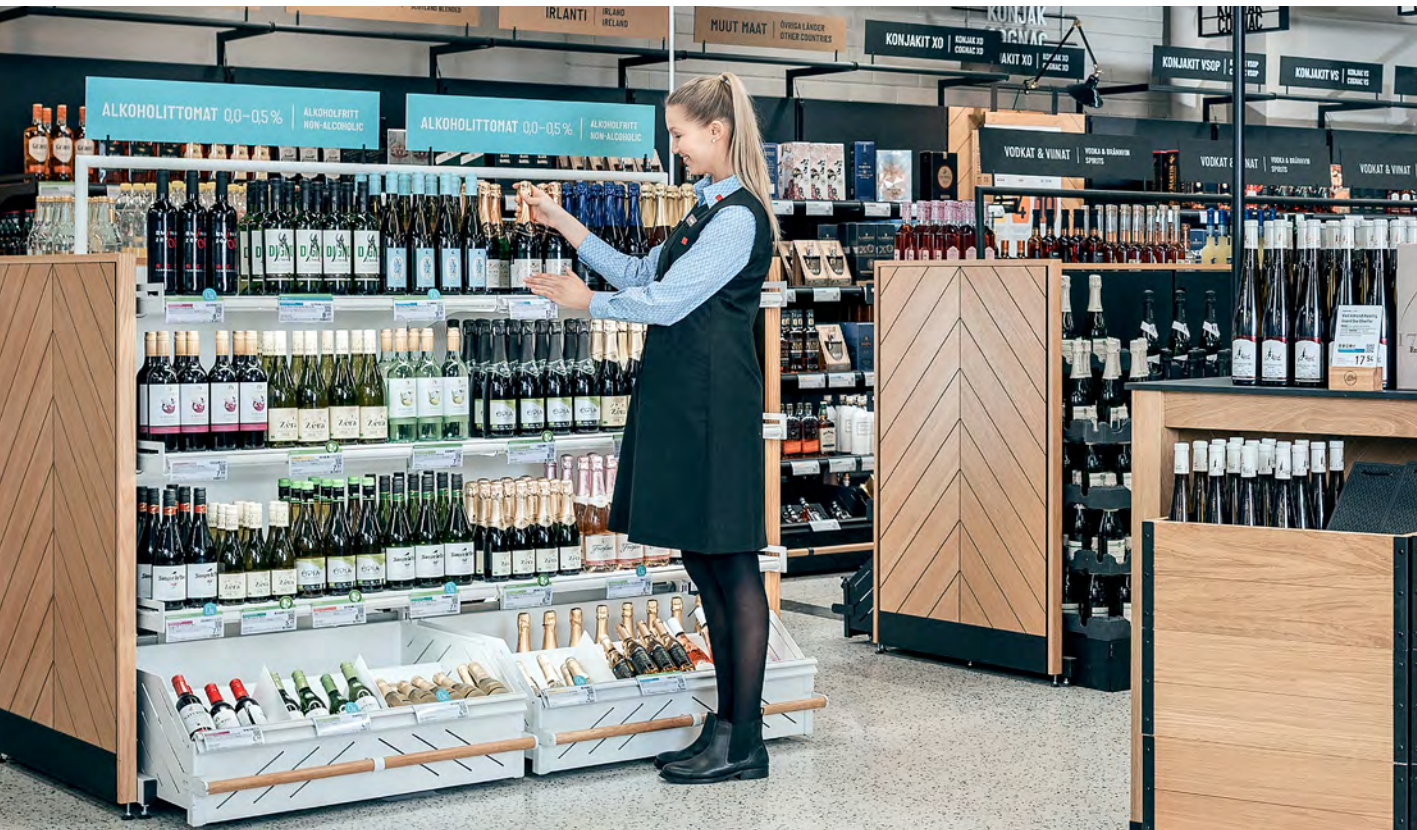
The survey results are reviewed regularly at stores and utilised in service development.

Checkout surveys are now in use at almost all Alko stores and have been well-received by customers. A lot of feedback is also being given online and directly to in-store salespeople. Yet no matter which feedback channel our customers use, it is our friendly and professional service that receives the most praise – because it is there that our power lies.

Pictured: Tiina Honkanen

A PROVEN SAFE AND HIGH-QUALITY SELECTION THAT MEETS CUSTOMERS' WISHES

When planning our diverse and high-quality selection, we start with our customers' needs and wishes – which we were successfully able to meet in 2021. Product quality is tested extensively using a two-step assessment.



WHY THIS IS IMPORTANT TO US:

In addition to customer service, our world-class selection is an essential element of Alko's customer experience. Customers' needs are continually changing and developing. Ensuring the diversity of our selection, a customer-oriented approach, and the responsibility, safety and high quality of our products are the cornerstones of our work in this area.



OUR APPROACH:

We take a customer-oriented approach to planning our selection and listen to our customers' needs and requests. Alko's selection is put together by a team of passionate professionals who closely follow trends, phenomena and social changes both in Finland and abroad. Store-specific selections are based on a combination of chain management in accordance with customer demand and local decisions made by the stores themselves. Decisions on the stocking, pricing and display of products are made in an impartial and non-discriminatory manner. Alko's entire selection is available nationwide via our online shop.



OUR MAIN OBJECTIVES:

We want to offer our customers a comprehensive and high-quality selection. We engage in fruitful cooperation with our suppliers and seek to offer them an attractive and effortless sales channel. We foster responsibility and high quality.



SELECTION BUILT ON RESPONSIBILITY AND CUSTOMER NEEDS

Our selection continued to keep customers satisfied in 2021 in spite of the exceptional circumstances. As in the previous year, our customers' selection satisfaction was once again at an all time high. We received a full-year average score of 8.57 out of 10 in the selection satisfaction surveys conducted by Dagmar Drive Oy in May and August–September 2021 (N=1,600). This result tells us that we have successfully listened to our customers, and have also been able to delight them with new products.

The products sold at Alko are acquired through an open and impartial public selection procedure. We fulfil our customers' needs and requests with a comprehensive general selection that forms the backbone of our in-store range. The general selection is then supplemented with seasonal products and special and limited editions. Suppliers can also offer their products freely and free-of-charge via Alko's sale-to-order selection. About 3,200 products were added to Alko's selection in 2021.

Ensuring the wellbeing of people and the environment is important to us. We are developing our selection on an ethically and environmentally sustainable basis. Our goal is to increase the percentage of Green Choice products in our selection to 70 per cent by 2030.

Decisions on the listing, pricing, delisting and in-store display of products are made on impartial and non-discriminatory grounds. The listing and pricing of products is based on legislation and public guidelines. Products containing more than 5.5 per cent alcohol by volume are priced in accordance with the fixed coefficients set for each product group, and these coefficients are openly available to our suppliers.

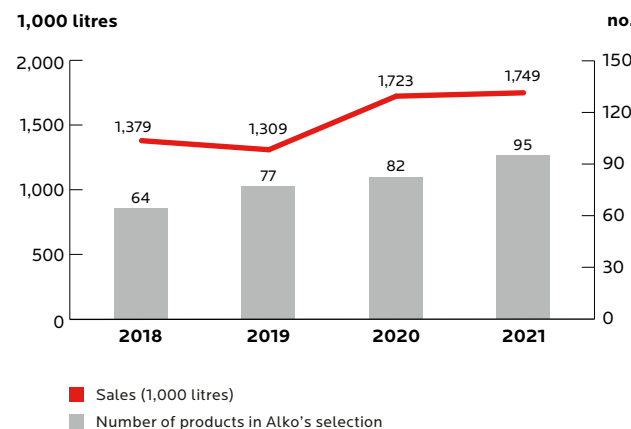
In line with our rules, all goods suppliers must commit to Alko's ethical principles and compliance with them. Responsibility is systematically promoted to prospective suppliers from a very early stage, and we cooperate with our goods suppliers to drive sustainability issues forward. All of our suppliers must commit to amfori BSCI's responsibility principles and complete Alko's ethics training course.

Our selection is designed by a large team of professionals who assess products from a variety of perspectives: customer needs, demand, quality, trends, sustainability

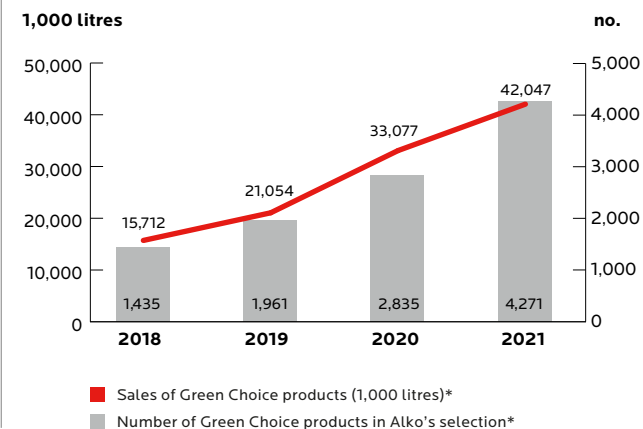
and responsibility. Alko's selection of approximately 11,500 products is updated every year with thousands of new products. Our entire selection is available via the online shop and can be ordered for collection at any Alko store or pick-up point. A single store will stock an average of 1,100 products. Local selections vary according to demand and store size.

The Alkotoive e-service celebrated its first anniversary in September 2021. By requesting products through Alkotoive, customers can genuinely influence the selection at their local Alko store. During the first 12 months, we received a total of 44,000 requests as well as some free-form feedback on our selection. We receive the most requests for red wines, white wines, liqueurs, bitters and beers. About 30 per cent of requests have made it to store shelves. The high volume of requests has been a positive surprise.

ETHICALLY CERTIFIED PRODUCTS – SALES TREND AND NUMBER OF PRODUCTS

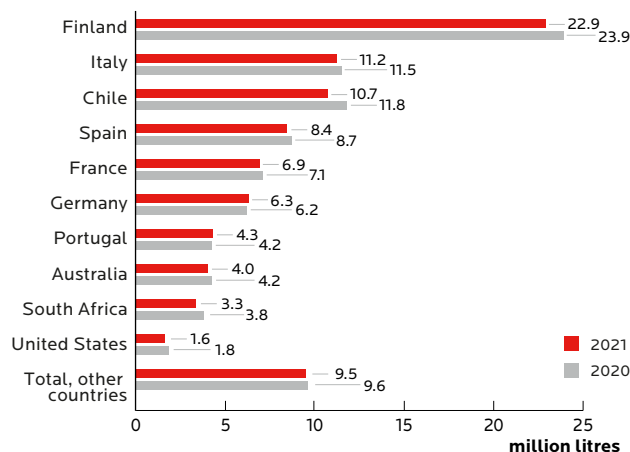


GREEN CHOICE PRODUCTS – SALES TREND AND NUMBER OF PRODUCTS*



*Alko's Green Choice markings indicate the producer's commitment to environmental and sustainable development. Green Choice symbols are used to mark products that are natural wines, biodynamic, certified for sustainable development, carbon neutral, organic, vegan or packaged in environmentally responsible packaging.

SALES BY COUNTRY OF ORIGIN



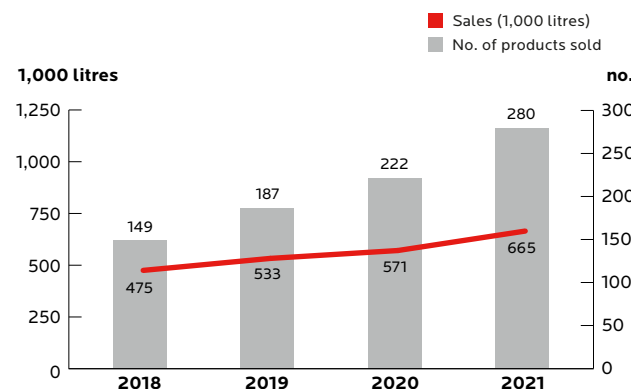
GOOD PRODUCT AVAILABILITY

By working with our suppliers, we have managed to maintain good product availability in spite of the coronavirus pandemic. Like many other sectors, the beverage industry has been plagued by logistics challenges and a shortage of packaging materials, which may impact the availability of beverages in the long term.

Climate change is also causing changes in the industry. Not only is the average global temperature rising, but extreme weather phenomena are also becoming more commonplace. Their impacts on agriculture are also making grape cultivation more challenging. The 2021 Beaujolais Nouveau crop was about half its usual size, which raised market prices. Unfortunately, we did not receive any offers that suited our price level and so these challenges kept Beaujolais Nouveau wines off Alko shelves in 2021.

The coronavirus pandemic continued to strengthen many familiar phenomena in the purchasing behaviour of Alko customers, such as responsible choices, selecting non-alcoholic beverages, and trends relating to wellbeing, freshness and low-calorie products. On the other hand, 2021 also brought new phenomena – customers were looking for convenient packaging and, to some extent, also larger

NON-ALCOHOLIC PRODUCTS – SALES TREND AND NUMBER OF PRODUCTS



package sizes. Shoppers have also been putting an even greater focus on quality. And as our customers value local products, we also wanted to highlight small producers in our in-store displays during the year.

QUALITY IS NO ACCIDENT

Every product that goes on sale in Alko's general selection or as a special edition has passed a stringent screening process that gives us a good understanding of our products. Product assessments ensure that products are safe, of high quality and meet customer needs. The safety and flawless quality of the products in our general selection received an excellent full-year average score of 9.09 in the selection satisfaction surveys carried out by Dagmar Drive Oy in May and August–September 2021 (N=1,600). → [Read more](#)

Products chosen during Alko's calls for new products undergo a two-step assessment: several specialists conduct a sensory evaluation and laboratory tests are also carried out, mainly by Alko's Alcohol Control Laboratory (ACL). In addition to testing new products, we also test any alterations in existing products, such as changes of vintage. We tested 9,577 new product samples in 2021, which was slightly less than in the previous year.

New collar keeps beverage packaging with minor damage on our shelves

One of Alko's responsibility goals is to reduce beverage waste. Beverage waste is generated by expired products, customer returns, product recalls or packaging that has been damaged (during delivery, for example). In 2021, beverage waste was equivalent to 0.26 per cent of Alko's sales in litres.

One way of reducing beverage waste is to keep damaged packages on sale instead of disposing of the product. A product's label may get torn during transport or at the store, and a boxed wine may get dented. Until now, these packages have been disposed of – even though the contents themselves are completely faultless. In the future, damaged packaging will be marked with a separate collar. By choosing this kind of product, a consumer can help us to reduce waste.

Every year, Alko disposes of about 20,000 products with damaged labels or packaging. Our goal is to halve this by keeping products with damaged packaging on sale.



We also characterise products during sensory evaluations. Where applicable, beverages are defined according to taste style. Their flavours and bouquets are described, and they are given suitable symbols for accompanying food. Our customers can see these characterisations on the product cards displayed on store shelves, and this helps them to pair beverages with food.

The coronavirus pandemic has posed its own challenges in product quality assurance, as quality control tests have naturally required in-person visits. Yet even in these challenging times, we have successfully managed to get products into our selection in the usual manner without any delays.

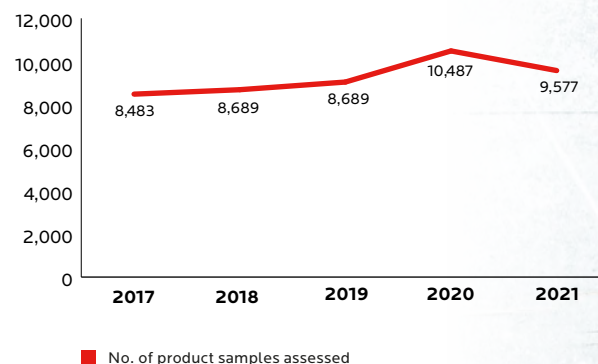
OUR QUALITY CONTROL LABORATORY CELEBRATES ITS 80TH ANNIVERSARY

For the last 80 years, the Alcohol Control Laboratory (ACL) has been ensuring that the products sold at Alko meet quality and regulatory requirements. In addition to studying the products sold at Alko, we also offer the ACL's services to other operators in the sector as an independent laboratory.

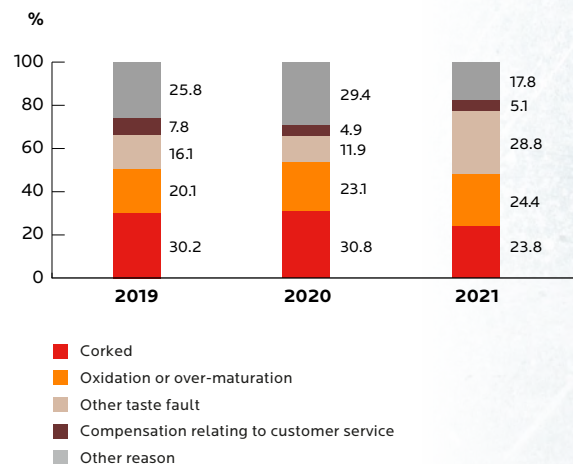
Our respected and creditable 80-year-old laboratory keeps abreast of the times, and we are continually enhancing our analysis methods to meet not only our own needs, but also those of the authorities and beverage producers and importers. The ACL's team of experts examines about 3,500 samples a year, carrying out a total of more than 60,000 analyses.

The products in Alko's general selection are analysed by the ACL before ending up on store shelves. The analysis seeks to supplement the product selection process and ensure that the products are flawless in quality and comply with legislation. The ACL analyses the alcohol content of an alcoholic beverage to ensure that it matches the ABV indicated on the label. It may also analyse characteristics such as the bitterness of beers, sugar content of wines and the amount of sulphur used as a wine preservative.

ASSESSING PRODUCT SAMPLES OF BEVERAGES OFFERED FOR ALKO'S SELECTION



REASONS FOR PRODUCT RETURNS



IMPACTS OF CLIMATE CHANGE ON WINEGROWING

CASE
2021



Climate change is altering our world in many ways. Not only is the average temperature rising, but extreme weather phenomena, such as storms, heavy rainfall, droughts and heatwaves, are becoming more common. Extreme weather phenomena have an impact on all forms of agriculture, including grape cultivation. In fact, wine is one of the agricultural products that are most sensitive to environmental changes.

“You could compare a grapevine to a canary in a coal mine in the olden days – when conditions in the mine became dangerous, the bird was the first to react. To purify the air, they ventilated the mine – and waited. Here on the surface, we need to take proactive steps to stop climate change,” says **Taina Vilkkuna**, Master of Wine, Product Communications Manager.

Periods of frost, heavy rains and plant diseases can destroy crops in an instant. The predictability of harvests is now also more challenging than before. For instance, in April 2021, the region of Provence in Southern France experienced its coldest nights in 50 years – and a massive number of grape buds were destroyed. In autumn 2021, as many as 80 per cent of

the green Chardonnay grapes were lost in Bourgogne due to the combined effect of spring frosts, hail, plant diseases and mould. In 2021, French wine production fell by almost 30 per cent year-on-year. For the first time, Spain overtook France as the second-largest wine producer in Europe, right behind Italy.

CLIMATE STEERS GRAPE SELECTION

Although grapevines are sensitive to changes, the wine industry is prepared to adapt and safeguard its future. To date, the rise in temperatures has favoured Germany, a country with a temperate climate. While earlier, the country only had a few good – that is, sufficiently warm – years in a decade, now there are only a few years per decade that are too cold. Although Germany has traditionally focused on Riesling and other white wine grape varieties, the share of red wine has now increased to account for over a third of the country's wine production. The warmer climate enables the cultivation of red varieties that need a longer growing season.

“European wine legislation – which has been so strict as to be set in stone – has already become more flexible, even in the most traditional regions. Last year, Bordeaux in France

permitted the test planting of new, more heat-resistant varieties,” says Taina Vilkkuna.

While regions that were previously favourable for wine cultivation might even become unfit for this purpose, new regions – and even entirely new countries – could become more suitable for winegrowing. One example is England and its sparkling wines. Many farmers in the Champagne region have prepared for climate change by buying land in England, where the soil is very similar to Champagne in terms of winemaking. It is forecast that sparkling wine production in Britain will grow from the current figure of about 15 million bottles to as many as 40 million over the next 20 years.

“The resilience of decades-old, deeply rooted vines against extreme weather has earned them the respect they deserve, despite their small yield,” says Vilkkuna.

Old and hardy local varieties – such as País in Chile and Garró in Spain – have also started to emerge from under the shadow of international star grapes. It is clear that the toolboxes of all successful wine producers will include measures to improve vineyard biodiversity and respect for nature.

COMPETENCE DEVELOPMENT MODEL ENABLES ALKO PERSONNEL TO DEVELOP IN NEW WAYS

During 2021, we continued important measures to maintain safe and healthy working conditions for our staff and safe shopping for customers during the pandemic. We also introduced a new competence development model.



WHY THIS IS IMPORTANT TO US:

We want our staff to be happy and healthy, to enjoy their work, and to be able to work in safe conditions. Enthusiasm and success are important elements of our world-class service. We offer our personnel modern opportunities for personal competence development.



OUR APPROACH:

The expertise of Alko staff enables the responsible sale of alcohol and world-class customer service. We are continually developing our personnel's competence with the aid of training, coaching, on-the-job learning, knowledge sharing and learning with colleagues. We also focus on continuous self-improvement and identifying and sharing our own expertise. We are always enhancing occupational safety, and proactively tackle any issues relating to wellbeing and working capacity.



OUR MAIN OBJECTIVES:

We want to be the most attractive employer in the service sector. We are proud of our personnel's expertise, and our successes are achieved by working together. We are placing an even greater focus on promoting equality and diversity in the workplace. We make sure that our staff have a safe working environment. The cornerstones of our culture – working together, clarity and impact – are reflected in our everyday work.

MAKING PERSONNEL WELLBEING A PRIORITY

Healthy and contented staff play a key role in providing world-class service. We invest in the wellbeing of our staff, working capacity management, and identifying any risks to working capacity.

In 2021, we continued to implement health-security measures to ensure that our staff and customers remained healthy during the pandemic. Our self-assessment indicates that we continued to perform well during the coronavirus pandemic.

Many measures were introduced to ensure the health and safety of our personnel during the pandemic, such as safety and hygiene practices at stores; enhanced cleaning; reducing contacts; keeping safe distances; office staff switching to remote working; changes to meeting and conference practices; and moving face-to-face training online.

The coronavirus pandemic has further increased feelings of loneliness in about one in four people of working age. In particular, young people and remote workers who live alone have experienced a decline in occupational wellbeing. We got involved in Work to Belong, a programme launched by HelsinkiMissio that seeks to prevent loneliness in the workplace. This programme aims to combat loneliness and promote a sense of solidarity among Alko employees.

During the year, we conducted a salary equality assessment based on our diversity plan, formulated potential job descriptions for employees with partial working capacity, investigated opportunities for employing special groups, and organised and raised awareness of coaching for a variety of target groups. This work will continue, as we want to strengthen our culture in a more diverse direction.



The average employment contract at Alko lasts 9.5 years and the average age of our employees is 39.8 years.

A SAFE WORKING ENVIRONMENT – EVEN DURING THE PANDEMIC

A safe working environment is a fundamental right. We develop occupational safety by identifying and assessing risks, and monitoring any measures that are taken. We ensure safety at our stores by providing staff with training in safe working practices.

Reporting safety observations is an essential aspect of safety at work. Safety observations should be made for exceptional circumstances, threatening situations, accidents and shoplifting. In order to ensure safety at work, personnel receive induction in risk assessment and every Alko workplace assesses its safety risks on a quarterly basis.

Supervisors are responsible for enhancing safety at work and minimising factors that undermine occupational safety. The occupational protection organisation investigates any workplace accidents that are reported by business locations. All of our employees are covered by statutory occupational healthcare and an occupational health and safety organisation.



NEW LEARNING ENVIRONMENT UPDATES ALKO'S TRAINING

Competence development is an important factor in Alko's world-class customer service and product expertise. We introduced a new competence development model that has been well-received by Alko staff. The introduction of Kupla – a modern learning environment – is the most visible component of the new model, which was launched in the spring of 2021.

The process began by examining the needs of Alko staff: in 2020, we employed service design principles to examine how Alko staff like to learn and gathered data on how we teach and support learning. Our main finding was that Alko staff wanted to learn communally, that is, through discussion and the exchange of ideas. There were also those who learn best through independent study. Both these and other ways of learning have been taken into consideration in our new learning model. In particular, we have focused on ensuring

that our training content is inspiring and up to date. Training has also been customised to meet the needs of salespeople with varying levels of expertise.

When it comes to learning, it is important that training can be done at a time that suits our staff. Alko's new learning environment, Kupla, enables both time- and location-independent training. The learning platform is also available on mobile devices. Kupla's training themes include different wine regions and pairing beverages with food.

Our in-store staff can also learn remotely, and time has been allocated for this in our work rotas – this is quite exceptional in the retail trade. Learning is partly self-directed, so learners sometimes have the option to choose which training would be most beneficial to them personally.

OUR DAY SUPPORTS COMMUNAL LEARNING

Alko's new Meidän päivä (Our Day) concept supports communal and local learning and is based on the needs of each store team. Meidän päivä seeks to bring the members of each store team together to learn and discuss how to improve Alko's customer experience with the aid of things such as trending products and encounter models. Team coaching is organised twice a year and its content is tailored to the team's needs and requests.

In 2021, Meidän päivä days were arranged when the coronavirus situation allowed. Meidän päivä days are part of every in-store employee's service and product training programme. Depending on their employment contract, at least 20 – and for some more than 30 – hours per year are reserved for this training.



MONTHLY PERSONNEL SATISFACTION SURVEYS

The personnel satisfaction survey is one of our business indicators. It monitors the general mood among staff, team spirit, impact, management, wellbeing, and the overall smoothness of everyday life at Alko. We revised the survey to better serve our management, and also introduced a new Pulse survey model in the spring of 2021. The Pulse survey was conducted monthly in 2021. In 2022, the survey will be conducted monthly in stores and quarterly at the head office and regional offices. Alko's Annual Pulse survey is a slightly more extensive survey that is carried out once a year.

The Vuosisipulssi survey contains questions about management, wellbeing and our cultural goals. Whereas the monthly Pulse survey is primarily a team development tool, the annual Pulse survey mainly measures the realisation of our long-term objectives. The content of the annual survey was also updated during the year to better meet the needs of our service business.

Both the monthly and annual Pulse surveys are a channel through which staff can have their say. The survey results are monitored by management and supervisors and used to develop our operations. Trends in the results are also monitored at team meetings, during which we consider any factors that may have affected the results and how we can improve. The revised Pulse survey was well-received as an important indicator and developmental tool, and both the overall response rate and results have remained at a good level throughout the year.

RESPONSIBLE COMPENSATION FOR STAFF

Alko's monetary compensation consists of a basic salary, personnel benefits and a strategy incentive scheme that covers all personnel. Personnel receive incentives for achieving the key objectives in Alko's strategy. Remuneration is not based on sales growth or the company's financial result, but on the strategic objectives derived from the company's mission.

Alko's strategy incentive scheme was revised in early 2020 in accordance with the Government Resolution on State Ownership Policy issued on 13 May 2016. A new Government Resolution on State Ownership Policy was issued on 8 April 2020 and entered into force at Alko at the beginning of 2021. The resolution lays down remuneration guidelines for special assignment companies, and Alko's incentive scheme was updated on the basis of these guidelines. [You can read more about incentives on page 63 of the Annual Report.](#)

Incentives are based on the company's selected strategic objectives and their indicators. The 2020 strategy incentive for staff was a maximum of 6–16 per cent of their annual salary (depending on their job description), and a maximum of 40 per cent of annual salary for Management Team members and the CEO. The strategy incentive earned by staff in 2021 may be a maximum of 6–16 per cent of their annual salary, and a maximum of 30 per cent of annual salary for Management Team members and the CEO. The Board of Directors will decide on the Personnel Committee's proposal on the strategy incentive scheme, indicators, objectives and incentives to be paid to the CEO, management and staff.



PERSONNEL IN FIGURES

	2019	2020	2021
Personnel Motivation Index	3.91	3.86	3.96*
Voluntary turnover	18.1%	12.0%	15.8%
Total absences due to sickness	5.1%	4.6%	4.7%
Accidents at work	130	80	49
Retirement age (retirement pensions)	60.8	60.8	60.8
No. of employees per supervisor (stores) – all	16.1	16.0	16.7
No. of employees per supervisor (stores) – permanent	14.1	14.1	14.4
Person work years	1,898	1,937	1,957
No. of permanent contracts at year-end	2,250	2,197	2,166
Average number of employees with permanent contracts during the year	2,466	2,196	2,211
Average number of employees with fixed-term contracts during the year	216	249	256
Average number of leased employees during the year		176	152

*This figure is not comparable with previous years as the measurement method has changed. The 2021 figure is the result for the *Success through enthusiasm* section of Alko's Vuosipulssi survey.

PERSONNEL BY AREA

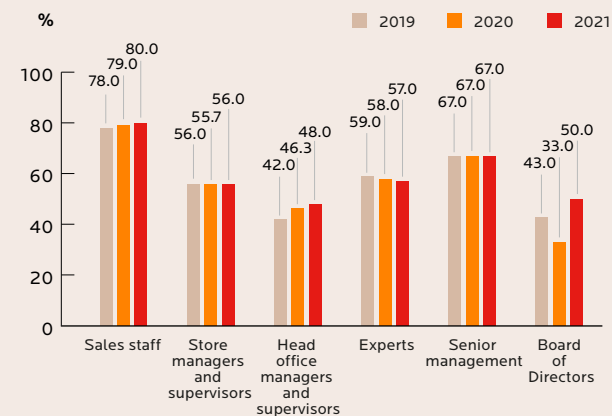
	2020	2021
Permanent (%)		
Northern Finland	12	12
Western Finland	14	14
Southwest Finland	13	13
Eastern Finland	16	15
Southern Finland	15	15
Capital city region	22	22
Head office	8	8
Fixed-term (%)		
Northern Finland	14	15
Western Finland	15	17
Southwest Finland	20	21
Eastern Finland	19	19
Southern Finland	18	16
Capital city region	11	11
Head office	2	2



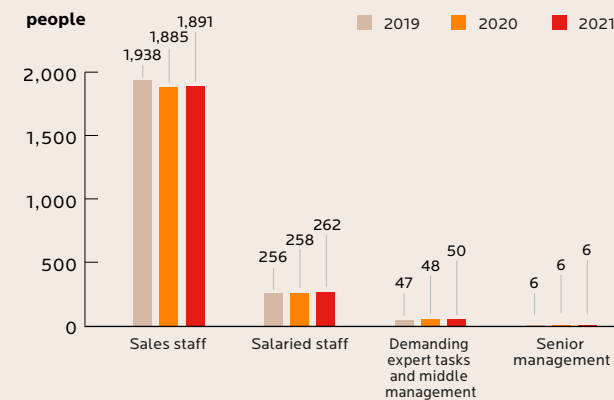
AGE DISTRIBUTION OF PERSONNEL, %

%	18–25 years	26–35 years	36–45 years	46–55 years	56 and over
Regional offices	0.0	5.6	27.8	27.8	38.9
Stores	21.6	25.9	20.9	18.4	13.2
Head office	2.4	16.2	42.5	28.7	10.2
Total	20.2	25.1	22.4	19.2	13.2

PROPORTION OF WOMEN BY TYPE OF POSITION



NO. OF PERSONNEL BY PERSONNEL GROUP, PERMANENT CONTRACTS



LEADERSHIP COACHING DEEPENS THE CULTURE AND INTERACTION

CASE
2021

One of the ways in which Alko invested in its personnel in 2021 was the leadership coaching programme that was kicked off in September. Lasting just under two years, the programme covers all supervisors at Alko, about 180 people.

“With this coaching, we seek to further deepen Alko’s good leadership culture. In our flat organisation, employee groups interact with each other frequently – for instance, the head office staff do shifts in the stores during peak seasons. At Alko, people lead people – our culture is about interacting with each other and having discussions,” says **Elisa Venäläinen**, Alko’s HRD Manager, who is responsible for the coaching together with a partner company.

The supervisors met up in autumn 2021 to complete a joint introductory section and the first of four modules, which focused on business coaching. The themes of the next modules are: responsible, agile and efficient, as well as inspiring and inclusive leadership.

The leadership coaching bolsters not only the cooperation between the head office and the field units, but also geographical interactions – learning from colleagues over regional boundaries supports the uniformity and consistent quality of the leadership culture. Alko’s Management Team also takes part in the coaching.

DIVERSE LEARNING DRIVEN BY SELF-KNOWLEDGE

The supervisors taking part in the coaching all have their own individual leadership background. The coaching revolves around strengthening one’s self-knowledge and identifying different kinds of management scenarios. Learning is broken down as follows: 10 per cent consists of training sessions and independent learning, 20 per cent of working with colleagues and 70 per cent of on-the-job activities. The feedback received so far confirms that the practical application of the lessons yields very positive experiences. The trainees can also use Alko’s own digital learning platform, which supports their development along the way.

The modular training proceeds from four common modules to in-depth studies, during which the trainees form smaller groups to familiarise themselves with the themes of each supervisor’s development objectives. The content of the leadership coaching will be modified as necessary along the way to ensure that the topics are timely and have the greatest impact. One of the means used to monitor the results is a regular Pulse survey, which assesses the performance of Alko’s supervisors from the perspective of their team members.

“Our aim is to provide world-class customer service. To achieve this goal, we create a good employee experience and seek to ensure high-quality, praiseworthy management encounters,” says **Heli Hassinen-Biberger**, Executive Vice President of Human Resources at Alko.

Heli Hassinen-Biberger (left),
Elisa Venäläinen (right)



ENVIRONMENTALLY FRIENDLY CHOICES

We want our mission - the most responsible way to sell alcohol in the world - to include environmental perspectives as well.



WHY THIS IS IMPORTANT TO US:

We continue to reduce the environmental impacts of our operations to combat the climate crisis and overuse of natural resources in both our own operations and the value chain. Our customers are taking an increasing interest in the environmental impact of our products.



OUR APPROACH:

The value chain is the source of most of our climate impacts, and in particular the production of beverages and packaging. We are working with a variety of beverage industry operators to reduce these climate impacts. A beverage packaging roadmap that was completed in late 2021 is now steering our operations towards our goal of halving emissions from beverage packaging. With the aid of Green Choice markings, we want to make it easier for our customers to make environmentally responsible product choices.



OUR MAIN OBJECTIVES:

We have set ambitious targets for our environmental efforts, and we are working towards them through actions both large and small. By the end of 2030, we will

- reduce the climate emissions from beverage packaging by 50 per cent compared to 2020
- increase the percentage of Green Choice products in our selection to 70 per cent
- be carbon neutral with respect to our own operations.

BEVERAGES AND THEIR PACKAGING ACCOUNT FOR THE MAJORITY OF CLIMATE EMISSIONS

Our climate impact was analysed and calculated in collaboration with Gaia Consulting. Our organisational carbon footprint for 2020 was about 149,500 tCO₂e, which is equivalent to the average annual emissions of 14,000 Finns.

Beverages and their packaging account for the majority of emissions: beverage production accounts for 53 per cent, beverage packaging for 24 per cent, and international transport for 18 per cent.

The climate impact analysis confirmed our belief that the majority of emissions are generated in product value chains. As we do not produce alcoholic beverages ourselves, it is important for us to cooperate with industry influencers to reduce the climate impacts of beverage production.

COOPERATION TO REDUCE THE ENVIRONMENTAL IMPACTS OF BEVERAGE PRODUCTION

Environmental cooperation between the Nordic alcohol monopolies continued in 2021 with a focus on biodiversity. According to a comparison study of cultivation practices carried out by Ecogain AB on behalf of the monopolies, organic farming improves biodiversity both aboveground and in the soil compared to conventional farming.

The content of our Nordic environmental cooperation will be revised in 2022, as we are currently drafting a roadmap and updated targets for our work. The environmental impacts of beverage production will also be examined in the Sustainable Wine Roundtable. This group was established in 2021 and Alko is one of the founding members.

BEVERAGE PACKAGING ROADMAP PAVES THE WAY FOR EMISSION REDUCTIONS

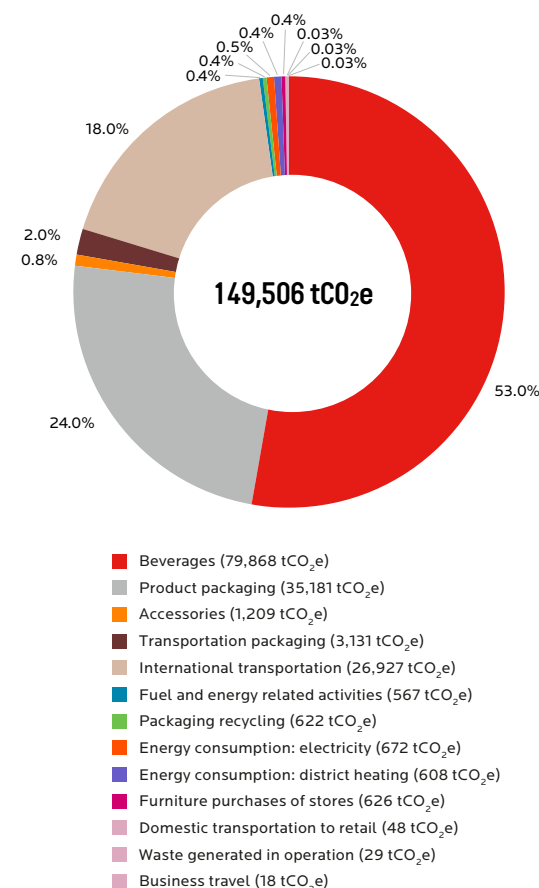
One of our most important environmental objectives is to halve the climate emissions from beverage packaging by the end of 2030. In late 2021, we drafted a beverage packaging roadmap to guide, measure and create concrete actions for reaching that objective. The beverage packaging roadmap is our commitment to sustainable development and has been published online at sitoumus2050.fi.

We focus especially on beverage producers and suppliers taking environmental perspectives into consideration when designing beverage packaging – in terms of everything from material and weight to shape and recyclability. In September 2021, we published our Suppliers' Emissions Calculator, which helps us to assess the emissions caused by transport, beverage production and packaging manufacture.

We sold a total of 115.3 million (117.3) beverage packages in 2021. The proportion of sold packages accounted for by traditional glass bottles has been declining since 2018, while the proportion of lightweight glass bottles has been rising. Cartons have also seen a slight increase in recent years. Emissions from sold beverage packages totalled 33,846 tCO₂e, that is, 380.1 tCO₂e per million litres of beverages sold. 83.5 per cent of sold packages (84.0%) were deposit packages.

Although boxed wines have the fewest climate impacts, they are non-deposit packages and challenging to recycle. Almost all Alko stores have a collection point for wine pouches and inner bags from boxed wines. During the year, 12.9 (16.7) tons of inner bags were collected at these collection points for utilisation as fuel in the manufacture of cement.

EMISSION BREAKDOWN



According to Alko's 2020 climate impact study, the majority of emissions are generated by the production of beverages and the manufacture of their packaging.

CARBON NEUTRAL SYMBOL ADDED TO OUR GREEN CHOICES

Alko's Green Choice markings indicate the producer's commitment to environmental and sustainable development. A new symbol – Carbon Neutral – was added to our Green Choice markings in January 2021. A carbon neutral product is a product whose carbon dioxide emissions from the farming of the ingredients, production, packaging and logistics between these phases have been calculated, emissions have been verifiably reduced and the remaining emissions have been compensated.

By using Green Choice markings, we want to make it easier for customers to make more environmentally responsible choices. At the end of 2021, products with Green Choice markings accounted for 32 (28) per cent of our selection.

MORE EFFICIENT DELIVERIES OF ONLINE ORDERS

We continued to engage in close cooperation with our domestic transport partners during the year. Although a number of different goods suppliers and transport firms deliver goods to our stores, we always combine deliveries whenever possible.

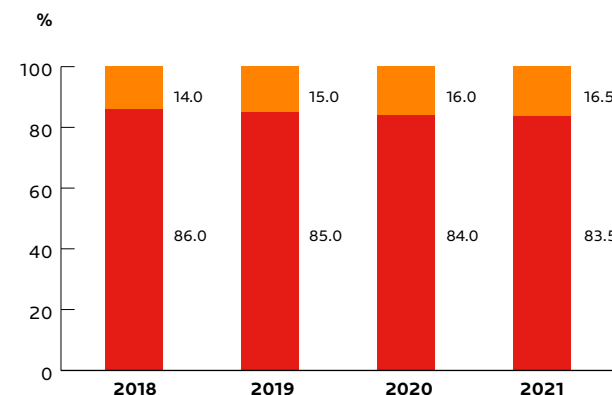
This enables us to avoid unnecessary costs and reduces environmental load. Carbon dioxide emissions from domestic distribution to stores totalled 60 tCO₂.

In 2021, we succeeded in increasing the number of deliveries that combined online shop orders with store shipments. In the off-season, about 65 per cent of online shop packages are now delivered as part of regular store deliveries rather than as separate consignments.

In 2021, Alko's own imports totalled 1.34 million litres (1.89), that is, about 1.5 per cent of our total annual sales in litres. Emissions from our import service totalled 458 tCO₂ (350). Products from European countries are transported by road, while sea freight is used for products from Asia, South and North America, and Australia. Air freight is only used in individual cases.

We are continually seeking new ways to minimise packaging waste from product logistics, and we efficiently recycle any waste that is generated. A total of 3,800 tons (3,816) of cardboard packaging waste and 86 tons (86) of pallet plastic waste were generated in 2021.

PROPORTION OF DEPOSIT/NON-DEPOSIT PACKAGES SOLD



■ Deposit packaging
■ Non-deposit packaging*

* Non-deposit glass and plastic bottles, non-deposit aluminium cans, cartons, boxed wines, wine pouches and other non-deposit packaging



RENEWABLE ELECTRICITY CLAUSE ADDED TO LEASE CONTRACT TEMPLATE

Electricity consumption is the most significant source of emissions in our domestic operations. In 2021, our store network consumed a total of 11 GWh (11.4) of electricity, that is, about 113 kWh per square metre of floor area (115). Compared to the previous year, the total electricity consumption of the store network decreased by 3.7 per cent and the consumption per square meter of floor area by 2.1 per cent.

We refurbished 26 stores in 2021. From an environmental perspective, the most important aspect of the refurbishment is to save energy by improving space utilisation and installing energy-efficient lighting. This improved efficiency was already visible in the energy consumption of refurbished stores in early 2021: electricity consumption per square metre of floor area fell by an average of 20 per cent on the previous year.

All of the 161 stores for which we have signed our own electricity contracts use certified hydroelectric energy whose production does not cause any emissions. The electricity purchased by 176 stores via lease agreements comes from renewable energy sources. The carbon dioxide emissions from electricity consumption at our head office and the remaining 32 stores totalled 449 tCO₂e in 2021.

We are continually enhancing our process for monitoring electricity consumption, and are taking measures to reduce both electricity consumption and emissions. In 2021, we updated our store lighting concept and added a clause to our store lease contract template that requires all business locations to use renewable electricity. This requirement covers all new lease agreements signed by Alko.

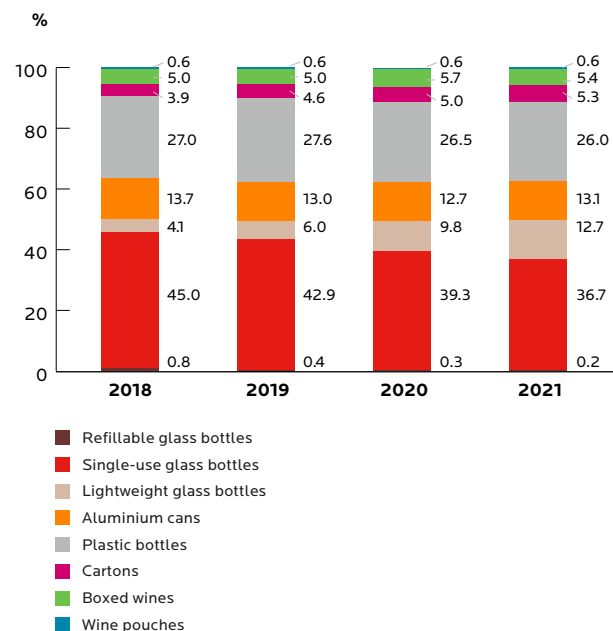
Alko's own environmental action is based on the ISO 14001 environmental management system, which is in use at Alko stores, head office and regional offices.

NEW WAYS TO REDUCE BEVERAGE WASTE

In general, relatively little waste is produced in Alko thanks to the long shelf life of the products. However, the large volumes involved mean that waste is still an issue that we aim to reduce in many ways. During the year, we launched a new collar for damaged packaging that aims to keep beverage packages with minor damage on the shelves rather than being disposed of as waste.

Beverage waste is mainly generated in stores. As no sustainable way has yet been found to collect small or individual batches of beverages, they are usually disposed of at the store. Large batches and waste from our central warehouse are utilised by our partner in the manufacture of biofuel.

TYPES OF BEVERAGE PACKAGES SOLD



PACKAGING HAS A SIGNIFICANT EFFECT ON THE CARBON FOOTPRINT OF A BEVERAGE

CASE
2021

In spring 2021, Alko commissioned the first study of its climate impacts. The study was conducted by Gaia Consulting. It revealed that product packaging accounts for 24 per cent of the carbon footprint of Alko's value chain. "The study supported the results of earlier assessments and confirmed the role played by beverage packaging," says **Maiju Sirviö**, Alko's Sustainable Development Specialist.

The production of beverages and their packaging generates the most significant emissions. Together, they account for 77 per cent of the total emissions. It is more challenging to tackle the emissions from beverage production, but we can have a greater impact through our packaging choices. For this reason, Alko pays special attention to beverage packaging.

When assessing the different product groups and types of packaging, the traditional and heavy wine bottles comprise the largest source of emissions. Alko's selection includes lightweight glass bottles. These are marked with the Environmentally responsible packaging symbol. Changing the material from glass to plastic yields significant differences in the carbon footprint. For instance, in bottled wines, the carbon footprint of a PET plastic bottle is just 36 per cent of that of a heavy glass bottle. In addition, PET bottles are lighter – and as they are unbreakable, they do not need to be handled as carefully.

NEW PACKAGING TYPES CHALLENGE TRADITIONAL BOTTLES

Beverages traditionally come in bottles, the type of container that many consumers are still most familiar with – but new, more environmentally friendly solutions have claimed their place at Alko. A handy easy-to-remember rule: the lighter and more recyclable the packaging, the smaller its climate impact. The wine packages with the smallest carbon footprints are boxed wines, cartons and wine pouches. Each Alko store – with a few exceptions – serves as a collection point for wine pouches and the inner bags of boxed wines, which can be challenging to recycle.

"We're constantly working to improve the environmental friendliness of packaging. This also includes finetuning our selection criteria. We strive to support and help our customers in making responsible purchase decisions, and we aim to develop our selection to be more sustainable as a whole. A variety of symbols – such as the Green Choice markings – inform consumers that the product or packaging in question takes sustainable development into consideration," says Maiju Sirviö.

"Packaging development is making great strides forwards and proactive environmental efforts are being carried out both at Alko and throughout our value chain," says Maiju Sirviö. "Every one of us can make a difference with our individual choices. And it's important to recycle beverage packaging correctly, no matter what material it's made of."



LONG-TERM EFFORTS TO CHAMPION WELLBEING

We are committed to promoting human and labour rights and good working conditions in the beverage supply chain. This work requires perseverance, and we are aiming for continued improvements in this area of responsibility.



WHY THIS IS IMPORTANT TO US:

Ensuring the wellbeing of both people and the environment is important to us, and we consider it our duty to continuously develop our selection on an ethical and environmentally sustainable basis. We want to promote and increase the number of responsibly produced products in our selection, and to help consumers to make more responsible purchase decisions.



OUR APPROACH:

Our operating model for responsible procurement is based on amfori BSCI's Code of Conduct. We are committed to upholding declarations of human rights that apply to international companies. Every supplier commits to Alko's responsibility requirements by approving amfori BSCI's Code of Conduct and the principle of due diligence contained therein. Due to the changing nature of our operating environment, we have conducted human rights management assessments in our supply chain. We want to ensure that due diligence is being followed in our operations with regard to human rights. We maintain close contact with industry stakeholders and the other Nordic alcohol monopolies.

[→ Read more](#)



OUR MAIN OBJECTIVES:

Our responsible procurement strategy has two main objectives that support the wellbeing of people in our supply chains. By 2030, we are aiming for complete transparency in the supply chains of all products in our selection – all the way down to their main ingredients. Products from high-risk areas will also be certified or otherwise verified with respect to sustainability.



TRANSPARENT SUPPLY CHAINS AND ETHICAL PRODUCTS

The products sold at Alko come from all over the world, and their supply chains can be very complicated. Having sufficient information about a product's origin provides a solid basis for developing responsible business practices. Improving transparency requires active cooperation between operators in the supply chain. Since 2016, we have been collecting supply chain information about products in our general selection that come from high-risk countries.

It is also our goal to increase the number of certified or third-party verified products in our selection. In 2021, we launched the Ethical symbol to make it easier for customers to make ethical purchase decisions in both Alko stores and the online shop. The symbol serves as an umbrella for certificates whose criteria focus not only on human wellbeing, but also on environmental perspectives during different phases of production. Certification takes into account perspectives such as freedom of association, occupational health and safety, fair pay, human and labour rights, and ethical business practices.

VIRTUAL STAKEHOLDER MEETINGS

After the second consecutive year of the pandemic, we have become used to working online. Virtual meetings have made it easier for us to reach stakeholders living abroad and in other timezones. However, coronavirus restrictions and travel restrictions have prevented us from carrying out responsibility work in countries of origin to the same extent as usual. There has been growing uncertainty and concern about the wellbeing of people in the most vulnerable positions.

Almost all of our partner meetings and events were organised remotely in 2021, including two virtual product fairs. During the year, we held four virtual events that were open to all of our suppliers. 823 people from a variety of companies in the industry registered for these events and their associated workshops. One of the workshops focused on responsibility topics and covered the Suppliers' Emission Calculator. We also arranged two separate stakeholder workshops on responsibility topics.



THE CORE THEMES OF RESPONSIBILITY MEASURES TARGETED AT ALKO'S SUPPLY CHAIN



DEVELOPING COMPETENCE IN COOPERATION WITH STAKEHOLDERS

We have about 11,500 products in our selection. Due to the large number of products, we focus our monitoring and competence development on the areas in which risks are most likely to be realised.

Social Group cooperation between the Nordic monopolies continued to focus on responsibility in the rum supply chain. Led by Vinmonopolet, we continued to organise training in the responsible production of sugarcane in South and Central America. Sugarcane is the source of molasses, which is the main ingredient of rum. Local producers were provided with a training programme called Water, shade and rest in cooperation with La Isla Network and Bonsucro. The aim was to communicate the health-related risks posed by hot conditions during the harvest, and to offer simple ways

of improving agricultural working conditions. A total of 30 people attended the training. The programme has also been added to amfori's international training offering, so that it can be utilised in other sectors as well.

Another focal area of our Nordic cooperation was to promote a living wage in our supply chains. In autumn 2021, we launched design work for the Living Wage project with Systembolaget. The initial phase of the project seeks to gain an understanding of different operators' roles and their importance in the formation of a product's value chain. Alko organised a workshop for suppliers in which we discussed what "a living wage" means and what each party in a product's supply chain would need to do in order to promote a living wage. We have collected information about the topic and will continue to work on this theme in 2022.

South Africa is one country of origin in which the ongoing pandemic has posed troubles. We therefore held a webinar for South African goods suppliers and local stakeholders. This event sought to activate contact with local operators during the pandemic, and to exchange information about conditions in both Finland and South Africa. In addition to Alko experts, we invited guest speakers from trade associations (IUF and PAM), the Stronger Together initiative, and a local certification authority (Wieta). 91 people registered for the event.

Via our website, we regularly provide our suppliers with competence development opportunities in the form of Alko's own training events and those arranged by amfori and other stakeholders. [→ Read more](#)

RESPONSIBILITY MEASURES FOCUSED ON ITALY

Due to the uncertainty and health risks arising from the pandemic, we were not able to conduct any amfori BSCI audits in 2021. We did, however, commission some more lightweight sustainability visits. These visits sought to identify areas with an elevated risk of human rights violations. This time, our visits were targeted on Italy, and in particular the Apulia, Sicily and Piedmont regions. Many migrants work in Italy's agricultural sector, and a lot has been written about their mistreatment and poor working conditions in recent publications.

We commissioned sustainability visits at 14 locations during October–December. These locations included both production facilities and vineyards. The visits were commissioned by Alko and conducted by an international audit company. Their findings were mainly expected and typical of the sector. The number of findings – 43 – was rather large, and some were also more severe than we had assumed. The majority of the findings were related to the status of workers and their occupational health and safety.

In September, Systembolaget and Oxfam (an organisation that focuses on eradicating poverty) published a joint human rights impact assessment report on Italy. The report included findings from visits and interviews held with Italian wine producers and grape cultivators in Systembolaget's supply chain.

These findings were similar in nature to what would be expected on the basis of earlier studies. Workers may be required to do a lot of overtime at harvest time, occupational health and safety are not always up to the required standard, and there were even some indications of forced labour. Workers are sometimes also forced to pay fees to employment agents and end up in debt to them. Migrants are a particularly vulnerable group who do not have sufficient language skills, a network to seek employment, or access to official routes to effective legal protection. The report can be read in full on [Oxfam's website](#).

Alko does not know which producers or vineyards were involved in the studies conducted for this report, but Nordic supply chains may be almost identical in these regions. We can expect these findings to be commonplace among operators in the agricultural sector. This is why Alko wanted to openly communicate the report's findings to its own suppliers, producers and other stakeholders.

We arranged an event for suppliers on this topic and encouraged them to participate in the report launch event. Alko also wants to play a part in improving the status of workers. For example, we are working with our partners to arrange training sessions in Italy and are engaging in closer stakeholder cooperation with local trade organisations.

IUF COOPERATION CONTINUES

We began cooperating with the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) in 2020, and this collaboration has continued with regular meetings. In addition to South Africa, we are also starting work in Italy. With the aid of the IUF, we have established a dialogue between the IUF's local member organisations. The first cooperation meetings between the IUF's Italian member organisations, Service Union United PAM, Systembolaget and the Swedish trade organisation Unionen were launched in the spring of 2021.



A CHANGING OPERATING ENVIRONMENT REQUIRES A RAPID RESPONSE

Our operations have an extensive financial impact on our stakeholders and society. Alko's profitability development was good in 2021.



WHY THIS IS IMPORTANT TO US:

Only a financially responsible company can meet its stakeholders' needs and fulfil its social obligations. As a state-owned company, we feel that it is particularly important for Alko's business to be efficient and profitable.



OUR APPROACH:

Alko operates openly and honestly. For us, financial responsibility means profitability and efficiency. We are developing our operating model to meet future customer needs. We are targeting our investments on developing our customer experience and enhancing efficiency. We systematically measure the efficiency of our store operations and support functions. This helps us to react quickly to deviations – without compromising on responsible service.



OUR MAIN OBJECTIVES:

We want to ensure that our business operations remain profitable and efficient in the future. We safeguard our competitiveness by enhancing organisational agility, understanding changing customer needs and investing in digital services. We support business development by investing in the efficiency of support functions and processes.

2021 was a year that called for a particular ability to respond to a rapidly changing environment. On the basis of previous experience, we were successfully able to predict the impact of changes in coronavirus restrictions. Both short- and longer-term changes in our operating environment and financial position were regularly discussed in the Management Team, and we were able to respond quickly to evolving situations.

The prolongation of the coronavirus pandemic impacted on Alko's business and predictability. Coronavirus restrictions varied throughout the year. Restrictions on travel and the serving of alcoholic beverages altered sales channels and increased Alko's sales, while the easing of restrictions steered alcohol sales towards bars and restaurants.

We want to ensure that we have functional logistics processes that support smooth sales work. Our most significant projects were the creation of Alma, a mobile app designed to help staff in customer service situations; further development of the order-delivery chain; and the creation of Kupla, a new learning platform that brought Alko's learning model into the digital world.

We enhanced our financial forecasting, and this enabled us to maintain greater efficiency and financial profitability. Developments in both sales and costs were closely monitored. We invested EUR 3.1 million in the refurbishment of our store network during 2021.

TAX REVENUES FOR SOCIETY

Alko's business operations accrue tax revenue for society. Our tax affairs are headed by the Executive Vice President, Finance, who reports to the Board of Directors and its Auditing Committee. In situations subject to interpretation, tax consultation services can be purchased from an external tax expert or the tax authorities can be requested to provide an advance decision. Alko does not engage in tax planning or channel its funds into foreign accounts, but instead pays taxes on all its earnings and product sales in accordance with Finnish law.

Alko's business operations accrue considerable tax revenue for society. In 2021, sales generated EUR 656.3 (656.1) million in revenue from alcohol tax and EUR 309.7 (311.2) million in VAT. Our suppliers pay the majority of the alcoholic beverage tax on products sold by Alko directly to the state.

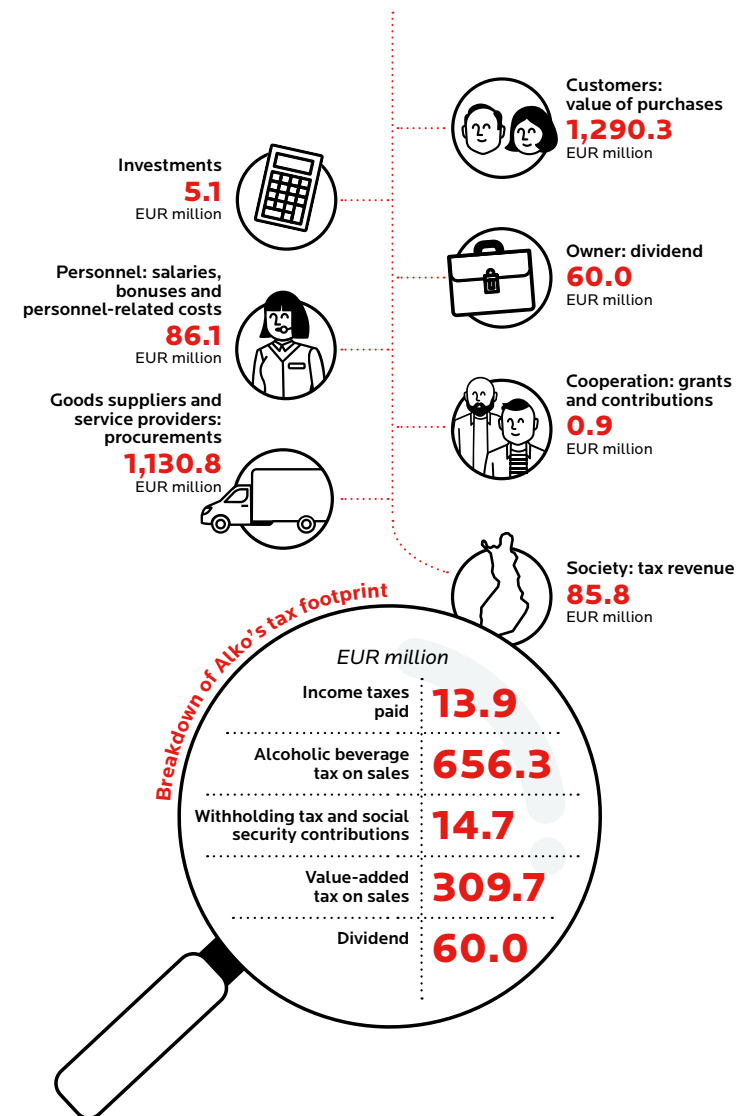
Salaries and fees paid to personnel, including associated expenses, totalled EUR 86.1 million in 2021. Particular attention was paid to the availability of store staff. This was important, as we wanted to safeguard the quality of our customer experience in the face of increased customer numbers. Our strong profitability increased the amount of corporation tax that Alko paid in 2021 compared to 2020: a total of EUR 13.9 (12.9) million.

Alko cooperates with several associations and organisations. The impact of these grants and contributions on full-year profit came to EUR 0.9 (0.8) million. Alko did not give grants or subsidies to political parties. Collaboration is primarily based on joint projects whose objectives are specified in cooperation agreements and action plans. Alko's Annual General Meeting decides on the recipients and maximum sum of Alko's annual donations.

SPECIAL PAYMENT TERMS FOR GOODS SUPPLIERS

Many suppliers are suffering from the coronavirus restrictions placed on society. As soon as the coronavirus pandemic began in spring 2020, we decided to offer goods suppliers the opportunity to apply for a change in payment terms if they were facing challenges with liquidity due to changes in their operating environment. With this special measure, we wanted to meet suppliers' needs and shoulder responsibility for the entire value chain. We have extended our special payment terms until the end of April 2022.

THE ADDED FINANCIAL VALUE RECEIVED BY STAKEHOLDERS FROM ALKO'S ACTIVITIES IN 2021





GOVERNANCE

GOVERNANCE

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CORPORATE GOVERNANCE

Alko Inc. is a limited company owned by the Finnish State. Alko Inc.'s business activities are based on the Alcohol Act [1102/2017], the Government Decree on Implementation of the Alcohol Act [151/2018], the Decree of the Ministry of Social Affairs and Health on Enforcement of the Alcohol Act [158/2018], the Companies Act [624/2006], and Alko Inc.'s Articles of Association.

OWNERSHIP AND CORPORATE GOVERNANCE

According to the Alcohol Act, Alko Inc.'s mandate is to undertake, with certain exceptions, the retail trade of alcoholic beverages prescribed exclusively for it, while aiming to reduce the adverse effects of alcohol consumption on those who consume it, other people and society as a whole.

Due to the special mandate assigned to Alko Inc., the Ministry of Social Affairs and Health is responsible for the ownership, steering and supervision of Alko Inc. Alko Inc. does not seek to make a profit or to compete with private companies. In accordance with its mandate, its mission is to reduce the harmful health and social impacts caused by alcohol.

The Ministry of Social Affairs and Health adheres to the Ownership Steering Act (1368/2007) and cooperates with the Ownership Steering Department of the Prime Minister's Office. [Alko's Corporate Governance principles are available on the company's website.](#)

ETHICAL PRINCIPLES

Openness and transparency are the basis for all of Alko Inc.'s operations. Our Ethical Principles guide every Alko employee's ethical and responsibility-related activities in

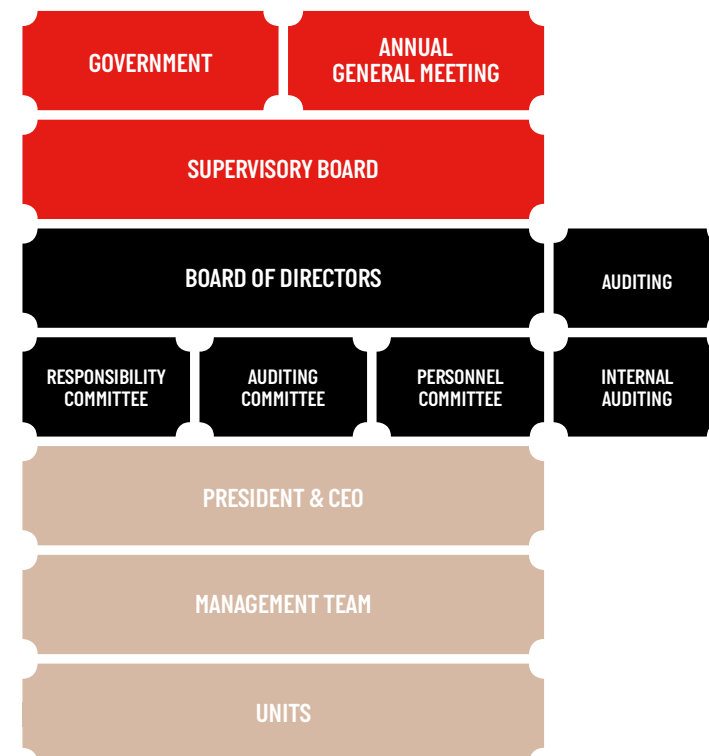
accordance with the company's values and principles. The key principles are integrity and legality, responsibility, a functional workplace community, transparency and equality, and a customer-oriented approach.

We have created an online training course on our Ethical Principles, and the results are registered in the HR system. The Ethical Principles are also included in the company's induction programme. Any changes to these principles are approved by the Board of Directors.

In accordance with our ethical principles, Alko personnel may not accept or give any direct or indirect gifts or benefits that could be considered to be bribery or corruption, attempts to exert inappropriate influence, or contrary to the principles of equity. Alko Inc. requires all personnel to comply with the Ethical Principles and promote their realisation.

In autumn 2021, Alko introduced a Whistleblowing channel in order to provide another avenue for promoting responsible corporate culture. This channel can be used to report (anonymously if desired) any suspected violations of the law, official regulations, Alko's Ethical Principles or the amfori BSCI Code of Conduct. During 2021, there were no corruption-related legal cases in which Alko Inc. was the defendant.

ALKO'S ORGANISATION



AGM AND SUPERVISORY BOARD

ANNUAL GENERAL MEETING

Alko Inc.'s Annual General Meeting must take place once a year before the end of June. The Ministry of Social Affairs and Health appoints a representative to the Annual General Meeting. The Annual General Meeting decides, in accordance with the Companies Act, on such matters as adoption of the financial statements, profit distribution, exemption from liability, the fees of members of the Supervisory Board, the election and fees of members of the Board of Directors, the election and fees of the auditors, and on whether to amend the Articles of Association. According to the Government Resolution on State Ownership Policy issued on 8 April 2020, state-owned companies must report the following to the Annual General Meeting: climate targets and any measures taken towards achieving them, and the achievement of significant social responsibility objectives and the measures taken towards achieving them. They must also describe their remuneration policy and justify any performance-related incentives that have been paid.

Alko Inc.'s Board of Directors elects to convene the Annual General Meeting. Notice of the meeting and its agenda are sent at least one week prior to the meeting.

SUPERVISORY BOARD

Alko Inc.'s Supervisory Board consists of twelve members, which the Government appoints for four calendar years at a time. The Government also appoints the Chair and the Vice-Chair. The Supervisory Board's tasks are defined in the Alcohol Act and Alko Inc.'s Articles of Association.

The Supervisory Board's tasks are:

- to ensure that the company's affairs and administration are handled according to sound business principles, with an eye to profitability, and to ensure compliance with legislation, the provisions of the Articles of Association, the decisions of the Annual General Meeting and other approved instructions
- to give instructions to the Board of Directors in far-reaching matters of fundamental importance
- to monitor alcohol-related trends both in Finland and abroad and, on the basis of this, to issue general guidelines on how to develop the alcohol company's operations
- to ratify an action plan to reduce the harmful effects of alcohol (as specified in Section 1 of the Alcohol Act), and to issue a report on the company's retail sales (as specified in Section 24 of the Alcohol Act) and the measures taken to reduce the harmful effects referred to in the aforementioned Section 1
- to give the Annual General Meeting a statement concerning the company's financial statements and auditor's report.

Alko Inc.'s Supervisory Board for the 2020–2023 term consists of Arja Juvonen (Chair) and Hannakaisa Heikkinen (Vice-Chair) and, as members, Outi Alanko-Kahiluoto, Kim Berg, Petri Honkonen, Pauli Kiuru, Ari Koponen, Mats Löfström, Jari Myllykoski, Tom Packalén, Sari Sarkomaa and Tuula Väättäinen. MP Jari Myllykoski requested to be released from his duties as a member of the Supervisory Board on 20 August 2021. On 24 August 2021, the Ministry of Social Affairs and Health appointed MP Aino-Kaisa Pekonen to replace Myllykoski for the remainder of his term of office.

Director Jari Keinänen has been representing the Ministry of Social Affairs and Health on the Supervisory Board. Representation of the Ministry of Social Affairs and Health on the Supervisory Board is decreed by Section 24 of the Alcohol Act. The Supervisory Board meets approximately five times a year.



BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors' task is to manage the company and its operations in an appropriate manner in accordance with legislation and the company's Articles of Association, the decisions of the Annual General Meeting, and the instructions issued by the Supervisory Board.

The Annual General Meeting elects the Chair and Vice-Chair of the Board plus a minimum of three and a maximum of six members. The composition of the Board takes the requirements placed on the company's activities into account. Some of its elected members work in leadership or managerial positions in sectors such as alcohol policy, wellbeing at work, and social and healthcare policy.

Prospective Board members must have the required competence, sufficient and diverse expertise, and complementary experience and knowledge of the sector.

Both genders are represented on the Board. The term of office for Board members lasts from their election until the end of the following Annual General Meeting. Two personnel representatives take part in the meetings without the right to vote. The Board of Directors is convened at the invitation of the Chair or Vice-Chair of the Board. The principles adhered to by the Board of Directors in their work are contained in the Board's approved rules of procedure.

The key tasks of the Board of Directors include:

- to direct and oversee the company in accordance with the decisions of the Annual General Meeting, the Companies Act and Alko's Articles of Association
- to direct and oversee the company in accordance with alcohol-related statutes

- to approve the company's strategy
- to approve the annual budget and oversee its realisation
- to approve significant investments and the acquisition and sale of real-estate shares
- to approve the principles of internal monitoring and supervise their implementation and adequacy
- to approve risk management principles
- to approve the internal audit directive and the annual plan
- to supervise the independence and work of the auditors
- to prepare a proposal on the election of the auditors for the Annual General Meeting
- to review and approve the financial statements, annual report and half-year report
- to decide on the company's organisational structure and management system
- to appoint the President & CEO, Deputy CEO and other members of the Management Team, and to relieve them of their duties
- to decide on the salaries and other benefits of the President & CEO and other members of the Management Team
- to approve an incentive scheme for management and personnel
- to decide on strategic HR policies as part of the company's overall strategy
- to consider the results of the company's personnel surveys
- to approve the company's corporate governance and rules of procedure for the Board of Directors and its committees, and to review their contents annually

- to consider reports from Board committees
- to consider matters presented by Board members or the President & CEO
- to address issues related to regulatory control.

On 14 April 2021, the Annual General Meeting elected Harri Sailas as Chair of Alko's Board of Directors and Markku Tervahauta as Vice-Chair. Kirsi Paakkari, Pekka Perttula and Ulrika Romantschuk were elected as Members of the Board. In addition, the owner decided to appoint a Member of the Board at a later date in the manner specified in Chapter 5, Section 1(2) of the Companies Act. On 19 May 2021, the owner decided to appoint Laura Raitio as a Member of the Board. Personnel representatives Sini Heikkinen and Riina Väntsi attended meetings of the Board of Directors without the right to vote.

The Board of Directors met seven times during the year. The members of the Board of Directors are independent of the company, and the majority are independent of the company's owner. Markku Tervahauta is the Director-General of the Finnish Institute for Health and Welfare. Alko's President & CEO Leena Laitinen attends Board meetings, along with the Executive Vice President, Finance (Anton Westermarck) and Legal Counsel (Jonna Björklund) as Secretary.



COMMITTEES OF THE BOARD OF DIRECTORS

Alko's Board of Directors has three committees: the Auditing, Personnel and Responsibility Committees. The Board appointed the current chairs and members of these committees at its meetings on 20 May 2021 and 15 June 2021. The Board has established rules of procedure for each committee, and these include its key tasks and principles.

AUDITING COMMITTEE

It is the Auditing Committee's task to assist the company's Board of Directors in ensuring that the company's accounting and financial administration is appropriately arranged and that internal control, risk management, auditing and internal auditing are arranged in compliance with legislation, regulations and the policies approved by the company's Board of Directors.

The committee consists of a minimum of three and a maximum of five members of the Board of Directors. The committee's Chair must have adequate knowledge of accounting practices. The Auditing Committee meets approximately five times a year.

The Auditing Committee consists of Laura Raitio (Chair) and members Kirsi Paakkari and Ulrika Romantschuk. The President & CEO (Leena Laitinen) and the Executive Vice President, Finance (Anton Westermarck) act as the committee's presiding officers, while the Head of Internal Audit (Sirku Karjalainen) acts as secretary for the committee. The Compliance Officer, Lotta Väisänen, also attends meetings.

PERSONNEL COMMITTEE

The Personnel Committee assists the Board of Directors in supervising and preparing the company's personnel policies and practices, and in organisational development. It also assists the Board in all tasks related to remuneration schemes and employment relationships.

The committee consists of a minimum of three and a maximum of four members of the Board of Directors. The Personnel Committee convenes approximately four times a year.

The Personnel Committee consists of Harri Sailas (Chair) and members Laura Raitio and Markku Tervahauta.

The Committee's presiding officer is Leena Laitinen (President & CEO) and its secretary is Heli Hassinen-Biberger (Executive Vice President, Human Resources).

RESPONSIBILITY COMMITTEE

The Responsibility Committee assists and supports the company's Board of Directors in an advisory role in order to achieve social and health policy objectives in accordance with the Alcohol Act and to attain the company's other strategic targets for responsibility.

The committee consists of three or four members of the Board of Directors. Experts from the Ministry of Social Affairs and Health also attend committee meetings when necessary. The Responsibility Committee convenes approximately five times a year.

The Responsibility Committee consists of Ulrika Romantschuk (Chair), Pekka Perttula and Markku Tervahauta. Ismo Tuominen (Ministry of Social Affairs and Health) attends by invitation as an expert. Leena Laitinen (President & CEO) is the Committee's presiding officer and Maritta Iso-Aho (Executive Vice President, Communications) is its secretary.

MEMBERS OF THE BOARD OF DIRECTORS



HARRI SAILAS

b. 1951

Chair of the Board

Master of Economics and Business Administration

Member of the Board since 2014 (19 Dec 2014–)

Positions of trust:

Finavia Corporation, Chair of the Board (2015–)

Solidium Oy, Chair of the Board (2016–)

FinnHEMS Oy, Chair of the Board (2020–)

The Helsinki Deaconess Institute Foundation,

Member of the Board of Trustees (2015–)

Vaka Foundation, Chair of the Board (Member 2009–,

Chair Dec 2021–)



MARKKU TERVAHAUTA

b. 1962

Vice-Chair of the Board

Doctor of Medical Science

Director General, Finnish Institute for Health and

Welfare

Member of the Board since 2019

Positions of trust:

The Helsinki Deaconess Institute Foundation,

Member of the Board of Trustees (2019–)

University of Tampere's Advisory Board on working

life connections (2020–)

Kela's Advisory Board, Member (1 July 2020–31 June

2023)

National Nutrition Council of Finland (VRN), Chair

(9 November 2020–8 November 2023)

Advisory Board for Public Health, Division for

assessing and monitoring health and wellbeing

policy, Chair (1 September 2020–31 July 2023)

IANPHI (The International Association of National

Public Health Institutes), Executive Board Member

(2021–)

THL Foundation, Chair of the Board (2021–)



KIRSI PAAKKARI

b. 1963

Member of the Board

Master of Science (Economics)

Kalevala Jewelry, Managing Director

Member of the Board since 2018

Positions of trust:

Chair of the Cultural Foundation of Kalevala Jewelry

(2019–)

Member of the Board of the Employers' Association

of Goldsmiths (2019–)



PEKKA PERTTULA

b. 1960

Member of the Board

Doctor of Political Science

Member of the Board since 2018

Positions of trust:

Maahenki Oy, Chair of the Board (2019–)

Foundation of the Joint Agricultural Committee,

Board Member (1995–)

Alli Paasikivi Foundation, Chair of the Board (Member

2014–, Chair 2022–)

MEMBERS OF THE BOARD OF DIRECTORS



LAURA RAITIO

b. 1962

Member of the Board
Licentiate in Technology
Member of the Board since 2021

Positions of trust:

Raute Corporation, Chair of the Board (Member 2017–, Chair 2019–)
Suominen Corporation, Board Member (2015–)
Solidium Oy, Board Member (2019–)
The Helsinki Deaconess Institute Foundation, Chair of the Board (2018–)
Heltti Oy, Board Member (2020–)
Boardman Oy, Chair of the Board (2019–)
Securities Market Association, Board Member (2019–)



ULRIKA ROMANTSCHUK

b. 1966

Member of the Board
Bachelor of Political Science
Nordea Bank Plc, member of the Group Leadership Team, Head of Brand, Communications and Marketing
Member of the Board since 2017

Positions of trust:

WWF Finland, Member of the Supervisory Board (2016–)
Circus Helsinki, Chair of the Board (2014–)



SINI HEIKKINEN

b. 1974

Personnel representative
Chief Occupational Safety Delegate
Chair of the ALV Union

Positions of trust:

Service Union PAM, Member of the Board (2010–2023)
Central Organisation of Finnish Trade Unions (SAK), Member of the Representative Assembly (2011–2024)



RIINA VÄNTSI

b. 1973

Personnel representative
Service Manager
Chair of Alkoholialan Toimihenkilöt ry

Positions of trust:

Trade Union PRO, Member of the Representative Assembly (2021–2024)
Trade Union PRO, Deputy Member of the Board of the Unemployment Fund (2021–2024)

MANAGEMENT TEAM

The Management Team assists the President & CEO in leading the company and achieving its strategic and operational objectives.

MANAGEMENT TEAM

Alko's Board of Directors appoints the President & CEO, the President & CEO's deputy, and the other members of the Management Team. The Management Team assists the President & CEO in leading the company and achieving its strategic and operational objectives. The Team also prepares the company's strategy and budget, and any other matters that need to be presented to the Board of Directors. The task of the Management Team is to monitor financial performance, business operations and the implementation of operational decisions.

The following were members of the company's Management Team in 2021: Leena Laitinen (President & CEO), Kari Pennanen (Deputy CEO and Executive Vice President, Stores and Facilities), Maritta Iso-Aho (Executive Vice President, Communications), Heli Hassinen-Biberger (Executive Vice President, Human Resources), Anu Koskinen (Executive Vice President, Assortment and Procurement), and Anton Westermarck (Executive Vice President, Finance). The Management Team meets regularly, on average twice a month.

All the members of the company's Management Team and any other persons who have been authorised to represent the company have fully declared their commitments. On the basis of these declarations, all of the aforementioned members and representatives are independent of the company's stakeholders.

PRESIDENT & CEO

It is the task of the President & CEO to manage the company's business operations in accordance with legislation, the company's Articles of Association, and the instructions issued by the Board of Directors. The CEO also ensures that decisions taken by the Annual General Meeting, Supervisory Board, and Board of Directors are carried out. A deputy CEO has been appointed.

The terms and conditions of the President & CEO's service are specified in a written service contract approved by the Board of Directors. The CEO's pension benefits are determined in line with the Employees Pensions Act (TyEL). The period of notice for termination of the President & CEO's service contract is six months.



MANAGEMENT TEAM MEMBERS, 31 DEC 2021



LEENA LAITINEN

b. 1970

Master of Science (Economics)

President & CEO

Joined Alko in 2017

Principal employment history:

Snellman Group, CEO (2013–2017)

SOK, Executive Vice President, Consumer Goods (2009–2013)

SOK, Prisma, Chain Director (2007–2009)

SOK, Managing Director, Estonia (2006–2007)

SOK, AS Prisma Peremarket, Managing Director, Estonia (2004–2006)

Keskimaa OSK, Prisma Manager (2000–2004)

Osuuskauppa PeeÄssä, Prisma Manager (1997–2000)

Osuuskauppa PeeÄssä, Customer Service Manager (1996–1997)

Positions of trust:

Ilmarinen Mutual Pension Insurance Company, Board Member (2018–)

Service Sector Employers PALTA, Board Member (2019–31 Dec 2021)

Service Sector Employers PALTA, Member of the Labour Committee (2019–31 Dec 2021)

Service Sector Employers PALTA, Member of the Electoral Committee (1 Jan 2022–)

Suomen Viljava Oy, Board Member (2021–)

Atria Plc, Board Member (2021–)

Finland's Central Union for Child Welfare, Chair of the Board (1 Jan 2022–)

Children's Day Foundation, Chair of the Delegation (1 Jan 2022–)



HELI HASSINEN-BIBERGER

b. 1970

MA, MBA

Executive Vice President, Human Resources

Joined Alko in 2019

Principal employment history:

Realia Group Oy, Vice President, Human Resources (2016–2019)

Nissan Europe SAS, HR Director (2005–2016)

ISS Palvelut: Service Manager and Resource Manager (1998–2005)

Oy Aurinkomatkat Ab, Customer Service Manager (1994–1998)

Current positions of trust:

Service Sector Employers PALTA, Member of the Labour Market Committee (2020–)



MARITTA ISO-AHO

b. 1964

Master of Administrative Sciences, eMBA

Executive Vice President, Communications

Joined Alko in 2008

Principal employment history:

Eurest Finland Oy, Chief Operating Officer (2007–2008)

Silta Oy, Director of Sales and Marketing (2006–2007)

Fazer Amica Oy, Director of Marketing and Vice Managing Director (2004–2006)

Confederation of Finnish Industries, Economic Policy Officer (2002–2004)

Amica Ravintolat Oy, Administrative Manager, Administrator, Head of Development (1994–2002)

Kulinaari Ravintolat Oy, Administrator (1990–1993)

Current positions of trust:

Suomen Keräyslasiyhdistys ry (Finnish Glass Recycling Association), Board Member (2019–)

Katri Antell Oy, Board Member (2011–)

State Economic and Human Resources Service Centre, Advisory Board Member (2010–)

A-Clinic Foundation, Board Member (2009–)

MANAGEMENT TEAM MEMBERS, 31 DEC 2021



ANU KOSKINEN

b. 1972

Master of Science (Economics)

Executive Vice President, Assortment and Procurement

Joined Alko in 2020

Principal employment history:

Oy Transmeri Ab, Director (2016–2020)

Lumene Oy, Director, Skincare Business (2013–2016)

Lumene Oy, Head of Product Portfolio (2011–2013)

GlaxoSmithKline Oy, Business Manager (2010–2011)

L'Oréal Finland Oy, Marketing Manager (2007–2010)

L'Oréal Finland Oy, Sales Director (2003–2007)

L'Oréal Finland Oy, Marketing Manager (2000–2003)

L'Oréal Finland Oy, Product Manager (1998–2000)

Procter & Gamble Finland Oy, Product Specialist (1997–1998)

Current positions of trust:

-



KARI PENNANEN

b. 1964

Master of Social Sciences, eMBA, Certified Real Estate Manager

Executive Vice President, Stores, Online and Customer Experience

Joined Alko in 1989

Principal employment history:

Alko Inc., District Manager (1997–2003)

Alko Inc., Shop Manager (1992–1997)

Alko Inc, Supervisor Preparation Trainer (1989–1991)

Kesko Corporation, Marketing Consultant (1988–1989)

Current positions of trust:

Kiinteistö Oy Arkadiankatu, Board Member (2020–)



ANTON WESTERMARCK

b. 1968

Master of Science (Economics)

Executive Vice President, Finance

Joined Alko in 2014

Principal employment history:

Oy Gustav Paulig Ab, Finance Director (2012–2014)

Novo Nordisk, Regional Finance Director (2006–2012)

Novo Nordisk, Controlling Manager (2002–2006)

Novo Nordisk, Business Development Director (2002)

Siemens Building Technologies, Finance & Admin Manager (1999–2002)

France Telecom/Global One, Country Controller (1995–1999)

ISS Servisystem Oy, Finance Manager (1993–1995)

ISS Servisystem Oy, Financial Assistant (1991–1993)

Current positions of trust:

Kiinteistö Oy Arkadiankatu, Chair of the Board (2014–)

Leijona Catering Oy, Board Member and Chair of the Auditing Committee (2018–)

Confederation of Finnish Industries EK, Finance and Tax Committee member (2019–)

REMUNERATION REPORT 2021

SUPERVISORY BOARD

The 2021 Annual General Meeting decided on the following fees for members who were present at Supervisory Board meetings:

- Chair of the Supervisory Board EUR 1,000 per meeting
- Vice-Chair of the Supervisory Board EUR 800 per meeting
- Member of the Supervisory Board EUR 700 per meeting

The Supervisory Board convened five times in 2021. Meetings of the Supervisory Board – attendance rates and fees paid:

Member of the Supervisory Board	Attendance at meetings, %	Fees, EUR
Arja Juvonen, Chair	100%	5,000
Hannakaisa Heikkinen, Vice-Chair	80%	3,200
Outi Alanko-Kahiluoto, member	80%	2,800
Kim Berg, member	100%	3,500
Petri Honkonen, member	80%	2,800
Pauli Kiuru, member	100%	3,500
Ari Koponen, member	80%	2,800
Mats Löfström, member	100%	3,500
Jari Myllykoski, member until 24 August 2021	100%	1,400
Tom Packalén, member	60%	2,100
Aino-Kaisa Pekonen, member as of 24 August 2021	100%	2,100
Sari Sarkomaa, member	100%	3,500
Tuula Väättäin, member	100%	3,500
Total		39,700

BOARD OF DIRECTORS

The 2021 Annual General Meeting decided on the following fees for members of the Board of Directors:

- Chair of the Board EUR 2,750 per month
- Vice-Chair of the Board EUR 1,300 per month
- Member of the Board EUR 1,100 per month

In addition, an attendance fee of EUR 600 per meeting was paid to all Board members who attended Board meetings and an attendance fee of EUR 600 per meeting was paid to all committee members who attended Board Committee meetings.

The Board of Directors convened seven times in 2021. An additional meeting was held on 3 May 2021 as an email meeting without a designated meeting number, and the Chair of the Board decided that no attendance fees were to be paid for that meeting.

Meetings of the Board of Directors – attendance rates and fees paid:

Member of the Board	Attendance at Board meetings, %	Monthly fees, EUR	Board meeting fees, EUR	Committee meeting fees, EUR	Fees in total, EUR
Harri Sailas, Chair	100%	33,000	4,200	3,000	40,200
Markku Tervahauta, Vice-Chair	100%	15,600	4,200	5,400	25,200
Kuisma Niemelä, member until 14 April 2021	50%	4,400	600	1,800	6,800
Kirsi Paakkari, member	100%	13,200	4,200	3,000	20,400
Pekka Perttula, member	100%	13,200	4,200	3,000	20,400
Laura Raitio, member as of 19 May 2021	80%	7,700	2,400	3,000	13,100
Ulrika Romantschuk, member	100%	13,200	4,200	6,000	23,400
Total		100,300	24,000	25,200	149,500

Fees for 2021 are reported in accordance with the number of meetings held during the year.

REMUNERATION FOR THE CEO, MANAGEMENT TEAM AND PERSONNEL

Alko's monetary compensation consists of a basic salary, personnel benefits and a strategy incentive scheme that covers all personnel. Personnel receive incentives for achieving the key objectives of Alko's strategy. Remuneration is not based on sales growth or the company's financial result, but on the strategic objectives derived from the company's mission.

Alko's strategy incentive scheme was revised in early 2020 in accordance with the Government Resolution on State Ownership Policy issued on 13 May 2016. A new Government Resolution on State Ownership Policy was issued on 8 April 2020 and entered into force at Alko at the beginning of 2021. The resolution lays down remuneration guidelines for special assignment companies, and Alko's incentive scheme was updated on the basis of these guidelines.

Incentives are based on the company's strategic objectives and their indicators. The 2020 strategy incentive for staff was a maximum of 6–16 per cent of their annual salary (depending on their job description), and a maximum of 40 per cent of annual salary for senior management and the CEO. The strategy incentive earned by staff in 2021 may be a maximum of 6–16 per cent of their annual salary, and a maximum of 30 per cent of annual salary for senior management and the CEO. The Board of Directors will decide on the Personnel Committee's proposal on the strategy incentive scheme, indicators, objectives and incentives to be paid to the CEO, management and staff.

THE ASPECTS AND INDICATORS OF THE STRATEGY INCENTIVE SCHEME (STI) FOR THE CEO, MANAGEMENT TEAM AND STAFF, 2020–2021

Strategic priority	Indicators
World-class service – Leading the way in customer experience Weighting 30%	Brand Index, YouGov, continual measurement National Customer Service Feedback Survey (KAP), Taloustutkimus Oy, twice a year, scale of 1–10 Online shop's NPS, continual measurement Selection satisfaction, Dagmar Drive, twice a year, scale of 1–10
Don't let a drop become an ocean – A pioneer in responsibility Weighting 30%	Reputation & Trust survey (reputation, responsibility and stakeholder indices), T-Media Oy, three times a year, scale of 1–5 Mystery shopping (responsibility), Palveluplus Oy, 4 measurements per store
Success through enthusiasm – The most desirable employer in the service sector Weighting 10–20%	Unit-specific strategic objectives
Agile and efficient – Has economic impact Weighting 20–30%	Costs/net sales Customers/pwh

In addition to the short-term strategy incentive scheme (STI), the CEO and Management Team also had a long-term incentive scheme (LTI) in 2018–2020, which ended on 31 December 2020. The long-term incentive schemes of 2019–2021 and 2020–2022 were stopped on 31 December 2020 in accordance with the Government Resolution on State Ownership Policy of 8 April 2020.

In 2021, management were paid incentives for 2020 (STI and LTI) that complied with the Government Resolution on State Ownership Policy of 13 May 2016. The indicators for the long-term incentive scheme were Taloustutkimus Oy's

National Customer Service Feedback Survey (KAP) and the reputation index in T-Media Oy's Reputation & Trust survey. These indicators have not been simultaneously set as indicators for the CEO and Management Team's STIs.

In 2021, management and staff were paid a total of EUR 4.51 (2.78) million in incentives, which accounted for 6.3 (3.7) per cent of salary- and fee-related costs.

REMUNERATION FOR THE PRESIDENT & CEO AND THE MANAGEMENT TEAM

SALARIES AND WAGES

	Total salary, including benefits in kind, EUR		Short-term incentive (STI), EUR			Long-term incentive (LTI), EUR		
	2020	2021	2020*	2021**	2022***	2020	2021	2022
President & CEO	340,617	347,792	64,000	86,244	15,401	0	53,998	28,064
Other members of the Management Team	888,656	850,850	163,006	185,329	58,748	0	81,766	49,985
Total	1,229,273	1,198,642	227,006	271,573	74,149	0	135,764	78,049

* Incentives that were earned by the CEO and Management Team in 2019 and paid in 2020.

** Incentives that were earned by the CEO and Management Team in 2020 and paid in 2021.

*** Incentives that were earned by the CEO and Management Team in 2021 and will be paid in 2022.

PENSIONS AND NOTICE PERIODS

	Retirement age	Pension benefits	Period of notice
President & CEO	Retirement age in line with earnings-related pension scheme legislation (TyEL)	Pension in line with earnings-related pension scheme legislation (TyEL)	By the President & CEO 6 months and by the company 6 months
Other members of the Management Team	One member 61 years	Pension equivalent to 66% of annual wages	By Management Team Member 3 months and by the company 4–6 months
	One member: Retirement age is in line with earnings-related pension scheme legislation	TyEL insurance and additional pension based on 10% of annual salary	
	Three members: Retirement age in line with earnings-related pension scheme legislation (TyEL)	Pension in line with earnings-related pension scheme legislation (TyEL)	

ANNUAL PAYMENTS OF ADDITIONAL PENSIONS

	2020, EUR*	2021, EUR*
President & CEO	-	-
Other members of the Management Team	92,256	109,078
Total	92,256	109,078

* does not include potential refunds

INTERNAL CONTROL AND RISK MANAGEMENT

We employ effective internal controls and risk management to prepare for both strategic and operational risks.

CONTROL

The Ministry of Social Affairs and Health supervises compliance with the Alcohol Act and the rules and regulations issued under it. The National Supervisory Authority for Welfare and Health (Valvira) makes an annual report to the European Commission on the extent to which Alko Inc., as the holder of the sole right to sales of alcoholic beverages in Finland, has observed the required impartiality and transparency in its relations with suppliers. This report also takes account of a statement made by the Finnish Competition Authority. The National Supervisory Authority for Welfare and Health Valvira supervises the alcohol company's retail sales. In issues concerning Alko's decisions on the stocking, destocking and pricing of alcoholic beverages, appeals may be made to Valvira, the Administrative Court and the Supreme Administrative Court.

The Management Team is responsible for internal control at Alko. Alko's internal control system seeks to ensure the appropriate organisation of operations, efficiency, reliable financial and operative reporting, and compliance with regulations and operating principles.

RISK MANAGEMENT

Alko's Board of Directors approves the company's risk management policy and monitors that risk management measures are adequate and effective. The President & CEO is, with the assistance of the Management Team, responsible for risk management policy and its enforcement, and also for ensuring that risk management is appropriately arranged. Alko's risk management is based on systematically and proactively analysing and managing the threats and opportunities related to its activities. These risks are classified as strategic and operational risks.

The Management Team regularly assesses risks that may impact on its future development and profitability. Named persons are then assigned to manage these risks by defining preventative measures and ensuring their implementation.

THE MOST CRITICAL RISKS

- legislative amendments
- changes in alcohol taxation may affect travellers' private imports of alcoholic beverages, thereby impacting Alko's sales trend and profitability
- the impacts of the coronavirus pandemic on health, the economy and business continuity
- operational responsibility: selling alcohol to minors or intoxicated people in violation of the principles of responsible customer service, environmental and social responsibility risks in the alcoholic beverage supply chain
- availability of staff
- business interruptions caused by disruptions in ICT services and cybercrime
- critical information ending up in the wrong hands.

The company's reporting is based on Finnish Accounting Standards (FAS) and accounting guidelines and financial rules governing internal reporting. Alko's Finance Unit is responsible for the financial reporting process and the development of its supervision practices, and also for ensuring compliance with financial reporting legislation and regulations. The Executive Vice President, Finance reports on the company's financial results and forecasts at meetings of the Auditing Committee and Board of Directors.

COMPLIANCE OFFICER

The Compliance Officer works with management and the company's internal control, business and support functions to ensure that Alko operates in accordance with both the law and its internal guidelines. It is the Compliance Officer's task to coordinate, develop and monitor the risk management system. It is also the Compliance Officer's responsibility to analyse and monitor the overall risk picture and bring any required measures to management's attention for discussion and decision-making. The Compliance Officer ensures that both the Board of Directors and operative management receive comprehensive and clear reports about risks.

The Compliance Officer reports on their activities and observations to both the Management Team and Audit Committee.

INTERNAL AUDITING

The internal audit evaluates the company's risk management, operational standards, management processes, and the adequacy and effectiveness of its internal controls in accordance with the operating principles approved by the Board of Directors. Internal auditing is an independent function that administratively falls under the authority of the President & CEO and reports to the Board of Directors.

AUDITING

The company has one auditor, which must be a firm of authorised public accountants approved by the Central Chamber of Commerce in Finland. The auditor's term of office is one financial year and the auditor's work ends upon completion of the next Annual General Meeting following its election. In spring 2021, the Annual General Meeting elected KPMG Oy Ab, a firm of Authorised Public Accountants, as the company's auditor with Leenakaisa Winberg, Authorised Public Accountant, as chief auditor.

Auditor

Leenakaisa Winberg
b. 1972

Chief Auditor, KPMG Oy Ab, APA

ALKO'S MATERIALITY THEMES

The materiality analysis seeks to identify the most important aspects of responsibility from the perspective of Alko and its stakeholders. Taking stakeholders' expectations into consideration is an important element of both our management system and drawing up our strategy and action plans. We engage in continuous dialogue with our stakeholders and strive to incorporate any changes in their expectations into our operations. We actively monitor any changes occurring in our operating environment. Alko also engages in dialogue not only with organisations but also with customers, personnel, suppliers, political decision-makers and the media. In addition to suppliers, a significant role is played by companies, organisations, associations and other influential parties who operate either directly or indirectly in the international supply chain. For example, local associations in the beverage industry are important partners in terms of the effectiveness of our activities.

ALKO'S MATERIALITY ASSESSMENT UPDATED IN 2021

In 2021, Alko updated its materiality themes to serve as background material for a strategy update that will begin in 2022. The materiality themes were determined on the basis of an online survey targeted at stakeholders (n=2,167) and an analysis of the operating environment. They were defined in cooperation with Nordic 4sight Communities Oy. The material aspects of Alko's responsibility efforts are described in the [materiality matrix](#).

Our material aspect management follows Alko's responsibility management model. Alko sets clear annual targets for both responsible operations and their development. The responsibility working group handles the development projects and measures relating to responsibility. The Management Team reviews responsibility issues that are of key relevance to the strategy and action plan. The leader of each business unit and support function bears responsibility for operational management. Alko's Board of Directors regularly reviews the key responsibility measures that are prepared by the Board's Responsibility Committee. The Supervisory Board approves the annual plan for responsibility measures and presents a report on the actions carried out during the previous year. The President & CEO reports on the implementation of the responsibility plan to Alko's General Meeting. The AGM decides on the maximum amount of donations to be granted by the company.

The assessment identified the following material aspects for Alko:

1. Prevention of the harmful effects of alcohol
2. Responsibility for the supply chain
3. Corporate social responsibility reporting
4. Climate change
5. Personnel's sustainability and responsibility expertise
6. Personnel equality
7. Alko's partnerships

In addition to these identified materialities, the report also contains other information about sustainable development that is of interest to Alko's stakeholders. The aspect boundaries for the identified materialities were assessed with regard to their financial, social and environmental impact on Alko's value chain.

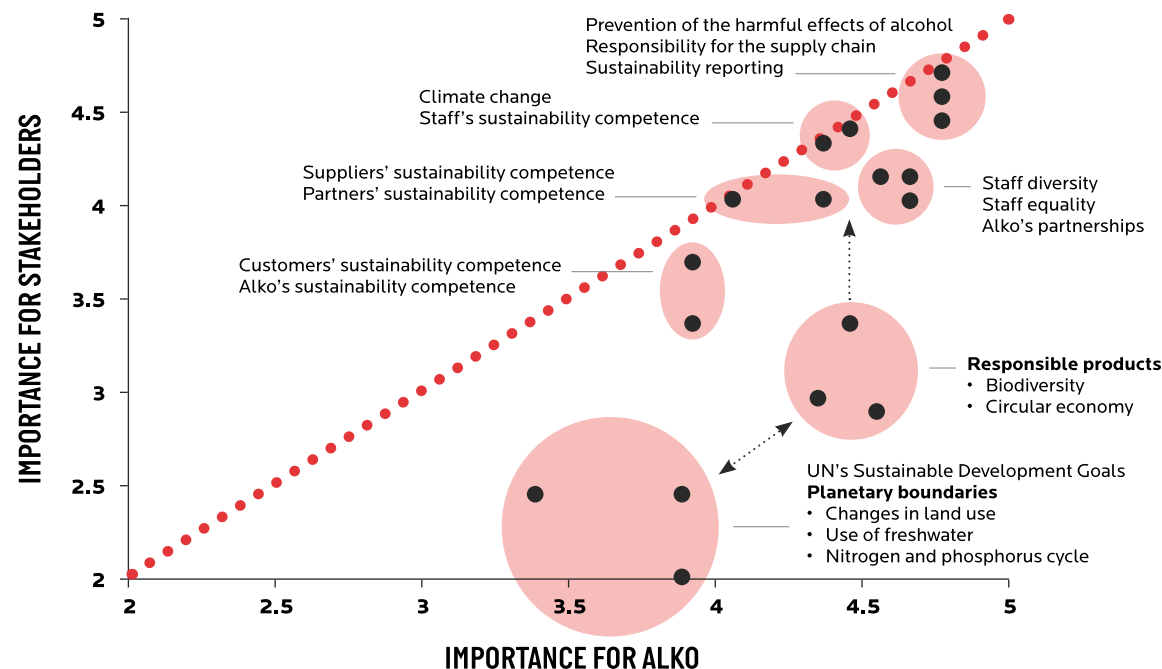
Material aspects	Aspect boundary
Prevention of the harmful effects of alcohol	Alko, society
Responsibility for the supply chain	Alko, supply chain
Corporate social responsibility reporting	Alko, supply chain
Climate change	Alko, supply chain
Personnel's sustainability and responsibility expertise	Alko, supply chain
Personnel equality	Alko, supply chain
Alko's partnerships	Alko, society, supply chain

REPORTING PRINCIPLES

Alko has published an annual report in accordance with international Global Reporting Initiative (GRI) Standards since 2004. In addition to the GRI's recommendation for sustainable development, our reporting complies with the applicable sections of the 2020 Finnish Corporate Governance Code issued by the Securities Market Association. Alko also complies with the Ministry of Health and Social Affairs' ownership steering strategy; the Government Resolution on State Ownership Policy (8 April 2020); the Non-Financial Reporting Directive; and the Guidelines for the Reporting of the Country-Specific Taxes of Majority State-Owned Companies (2014). The report has been compiled in accordance with GRI Standards at Core level. In the GRI content index, each reported standard notes which year's version of the standard has been used. The report is published in Finnish and English, and is only available as a PDF. The report has not been externally assured.

ASPECT BOUNDARIES

The Alko Group consists of Alko Inc. (the parent company) and four subsidiaries (joint-stock property companies) that are specified in the Notes to the Financial Statements. The information presented in the report is based on statements made in support of the company's operational activities and the figures from the audited accounts and financial statements. The report covers all of Alko's operations. The information on economic responsibility is based on Alko's financial reports, accounts and adopted financial statements. The indicators for social responsibility are drawn from HR systems, payroll systems, service providers and accounts. The figures for environmental responsibility are largely drawn from our own systems and service providers. Personnel figures are calculated according to the Accountancy Board's general guidelines for the preparation of annual reports. The Corporate Governance section adheres to the applicable sections of the Finnish Corporate Governance Code. The financial statements were prepared in accordance with Finnish Accounting Standards (FAS).



CALCULATION PRINCIPLES FOR ALKO'S CORPORATE RESPONSIBILITY INDICATORS

Own aspect: climate friendly packaging materials, material efficiency and recycling

Alko's indicator of sales of packages is the percentage of sales accounted for by different package types and materials. The quantities of beverage packages sold by Alko are obtained from Alko's Data Platform using the Power BI reporting system, which provides sales statistics by package type.

Own aspect: carbon dioxide emissions from beverage packaging

The indicator for carbon dioxide emissions from beverage packaging is tons per million litres of beverages sold (tCO₂/million litres of beverages sold). The quantities of beverage packages sold by Alko are obtained from Alko's Data

Platform using the Power BI reporting system, which provides sales statistics by package type. Emissions from beverage packaging are calculated using the climate analysis tool created for Alko by Gaia Consulting.

Own aspect: supporting informed purchase decisions

Environmental product information (aka Green Choice markings) is based on information from Alko's product management system: natural wine, biodynamic, carbon neutral, certification of sustainable development, organic, vegan, and environmentally responsible packaging. Sales and statistics for these products are reported using the Power BI reporting system, which retrieves data from Alko's Data Platform. The indicators are the percentage of the overall selection accounted for by Green Choice labelled products, in terms of both the number of products and sales in litres, and their percentage of total sales volumes.

ELECTRICITY CONSUMPTION IN STORES AND AT HEAD OFFICE

Data on electricity consumption is automatically received from the electricity vendor or property system, or is calculated retrospectively using invoices in the property management system (Granlund Manager). Consumption data is not available for all properties (fewer than ten stores), as the lessor either does not invoice for electricity consumed or charges for it as a fixed monthly sum with the rent. Missing consumption data has been estimated using the average electricity consumption per square metre for the type of store in question multiplied by the area of the store. Emissions from electricity consumption are calculated using the climate analysis tool that was created for Alko by Gaia Consulting.

CARBON DIOXIDE EMISSIONS FROM IMPORTS

These figures are obtained by collating data from the emission reports supplied by our import partners.

CARBON DIOXIDE EMISSIONS FROM DOMESTIC DISTRIBUTION TO STORES

These figures are obtained by collating data from the emissions reports supplied by the transport companies that Alko uses.

PACKAGING WASTE

Data for this indicator (packaging materials collected from Alko stores with return transports) is compiled from the Power

BI system by outputting all store warehouse events (returns) for packaging materials treated as separate products. The volumes of each packaging material returned are added up and multiplied by the assumed weight (the three last numbers of the product number), and the figures for each material are added together. The company only reports on materials that are collected with return transport from stores and then sent for recycling. Any materials recycled via properties or otherwise are not included in the figures.

CHECKS FOR SUSPECTED CASES OF INTOXICATION, AGE LIMITS AND HANDOVER OF ALCOHOLIC BEVERAGES

Each time a salesperson checks whether the customer is legally allowed to buy alcohol, they enter the check in the POS system with a shortcut key. This information is stored in Alko's Data Platform and is reported on using the Power BI reporting system.

MYSTERY SHOPPING

Alko measures the annual success of age-limit checks using mystery shopping, in which age-limit supervision is tested with visits by test customers aged 18–23.

MEASURES TO ENSURE RESPONSIBLE PROCUREMENT

Alko monitors compliance with ethical operating principles in the supply chain with the aid of amfori BSCI audits and other third-party sustainability visits. Data on audit results is

collected from amfori BSCI's database. In order to formulate an overview of the situation, Alko receives reports on other visits made by external parties in accordance with the agreed principles, usually as a combination of site-specific reports and region-specific summaries. The figures for training, workshops or other similar forms of cooperation are obtained from Alko's own systems, service providers and partners.

REPORT STAKEHOLDERS

The major target groups for the report are Alko's personnel, customers, partners, owner and goods suppliers, and the authorities and media.

REPORTING PERIOD AND CONTACT INFORMATION

This report presents the results of our corporate social responsibility efforts in 2021. Our report for 2020 was published in March 2021. For additional information, contact Alko's communications unit: Virpi Valtonen, Sustainability Specialist (virpi.valtonen@alko.fi) or Emilia Jantunen, Communications Specialist (emilia.jantunen@alko.fi).

GRI INDEX 2021

Key figure	GRI content	Location	Additional information	Version
	GRI 102 GENERAL CONTENT			2016
102-1	Name of the organisation	Alko in brief		
102-2	Activities, brands, products, and services	Alko in brief		
102-3	Location of headquarters	Alko in brief		
102-4	Location of operations	Alko in brief		
102-5	Ownership and legal form	Alko in brief		
102-6	Markets served	Alko in brief		
102-7	Scale of the organisation	Alko in brief		
102-8	Information on employees and other workers	Competence development model enables Alko personnel to develop in new ways	Average number of employees with permanent contracts during 2021: 2,211. Women 1,696 (77%), men 515 (23%). Average number of employees with fixed-term contracts during 2021: 256. Women 179 (70%), men 77 (30%).	
102-9	Supply chain	Alko in brief, Long-term efforts to champion wellbeing		
102-10	Significant changes to the organisation and its supply chain	President and CEO's review, The most responsible way to sell alcohol in the world		
102-11	Precautionary principle or approach	Environmentally friendly choices, Our strategy revolves around the most responsible way to sell alcohol in the world		
102-12	External initiatives	Long-term efforts to champion wellbeing		
102-13	Membership of associations	Working with stakeholders to achieve bigger things		
102-14	Statement from senior decision-maker	President and CEO's review		
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance		
102-18	Governance structure	Corporate Governance, Effective action to promote wellbeing		
102-22	Composition of the highest governance body and its committees	Board of Directors and committees		
102-23	Chair of the highest governance body	Board of Directors and committees	The Chair of the Board of Directors is not a member of senior management.	
102-35	Remuneration policies	Remuneration report, Competence development model enables Alko personnel to develop in new ways		
102-36	Process for determining remuneration	Competence development model enables Alko personnel to develop in new ways	No external remuneration consultants have been used to determine remuneration.	
102-40	List of stakeholder groups	Working with stakeholders to achieve bigger things		
102-41	Collective bargaining agreements	Competence development model enables Alko personnel to develop in new ways	Alko adheres to two collective agreements: The collective agreement for store personnel signed by the ALV Union and Service Sector Employers PALTA, and the collective agreement for salaried personnel signed by Alkoholilain Toimihenkilöt ry and Service Sector Employers PALTA. Alko adheres to these collective agreements in all employment contracts, except those in which a person's terms and conditions of employment have been agreed on using an executive employment contract. 99.8% of Alko employees are covered by collective agreements.	
102-42	Identifying and selecting stakeholders	Working with stakeholders to achieve bigger things		
102-43	Approach to stakeholder engagement	Working with stakeholders to achieve bigger things		
102-44	Key topics and concerns raised	Working with stakeholders to achieve bigger things		

Key figure	GRI content	Location	Additional information	Version
102-45	Entities included in the consolidated financial statements	Financial Statements		
102-46	Defining report content and topic Boundaries	Effective action to promote wellbeing, Reporting principles		
102-47	List of material topics	Effective action to promote wellbeing, Reporting principles		
102-48	Restatements of information	Reporting principles		
102-49	Changes in reporting	Reporting principles		
102-50	Reporting period	Reporting principles		
102-51	Date of most recent report	Reporting principles		
102-52	Reporting cycle	Reporting principles		
102-53	Contact point for questions regarding the report	Reporting principles		
102-54	Claims of reporting in accordance with the GRI Standards	Reporting principles	This report has been compiled in accordance with GRI Standards at Core level.	
102-55	GRI content index	GRI content index		
102-56	External assurance	Reporting principles	No external assurance of the report has been performed.	
	GRI 103 MANAGEMENT APPROACH			2016
103-1	Explanation of the material topic and its boundary	Effective action to promote wellbeing, Reporting principles		
103-2	The management approach and its components	Effective action to promote wellbeing		
103-3	Evaluation of the management approach	Effective action to promote wellbeing		
	ECONOMIC TOPICS			
	GRI 201 ECONOMIC PERFORMANCE			2016
201-1	Direct economic value generated and distributed	A changing operating environment requires a rapid response		
201-2	Financial implications and other risks and opportunities due to climate change	Risk management, Environmentally friendly choices	Risks and opportunities have not been reported in terms of monetary estimates or actual figures.	
201-4	Financial assistance received from government		Alko does not receive financial assistance. Alko is owned by the Finnish government.	
	GRI 203 INDIRECT ECONOMIC IMPACTS			2016
203-2	Significant indirect economic impacts	A changing operating environment requires a rapid response		
	GRI 205 ANTI-CORRUPTION			2016
205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance		
205-3	Confirmed incidents of corruption and actions taken	Corporate Governance		

Key figure	GRI content	Location	Additional information	Version
	GRI 206 ANTI-COMPETITIVE BEHAVIOUR			2016
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		In 2021, there were no legal actions, fines or other consequences arising from competition regulations.	
	ENVIRONMENTAL IMPACTS			
	Own aspect: climate friendly packaging materials, material efficiency and recycling	Environmentally friendly choices		
	Own aspect: carbon dioxide emissions from beverage packaging	Environmentally friendly choices		
	Own aspect: supporting informed purchase decisions	Alko in brief, A proven safe and high-quality selection that meets customers' wishes, Environmentally friendly choices		
	GRI 302 ENERGY			2016
302-1	Energy consumption within the organisation	Environmentally friendly choices		
	GRI 305 EMISSIONS			2016
305-2	Energy indirect (scope 2) GHG emissions	Environmentally friendly choices		
	GRI 306 WASTE			2020
306-2	Waste by type and disposal method	Environmentally friendly choices		
	SOCIAL IMPACTS			
	Own aspect: The responsible retail sale of alcohol	The most responsible way to sell alcohol in the world		
	GRI 401 EMPLOYMENT			2016
401-1	New employee hires and employee turnover	Competence development model enables Alko personnel to develop in new ways	Turnover 2021: 15.8%	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Competence development model enables Alko personnel to develop in new ways	All personnel are entitled to benefits.	
	GRI 402 LABOUR/MANAGEMENT RELATIONS			2016
402-1	Minimum notice periods regarding operational changes	Competence development model enables Alko personnel to develop in new ways	Collective negotiations on employee reductions comply with the minimum notification period (five days) and negotiation period (14 days/six weeks) specified in the Cooperation Act. Cooperation agreements that specify the purpose and objectives of the cooperation to be complied with at Alko and the parties involved are attached to both collective agreements. The cooperation agreements also specify the regulations governing the consultative committee. Alko's consultative committee comprises both employer representatives and representatives from both personnel organisations.	
	GRI 403 OCCUPATIONAL HEALTH AND SAFETY			2018
403-1	Occupational health and safety management system	Competence development model enables Alko personnel to develop in new ways	All employees are covered by an occupational safety organisation. We comply with the Occupational Health and Safety Act and the Occupational Healthcare Act.	
403-2	Hazard identification, risk assessment, and incident investigation	Competence development model enables Alko personnel to develop in new ways	Each Alko location assesses occupational safety risks on a quarterly basis as set out in the annual calendar. Any deficiencies identified during risk assessment are assigned to a supervisor who is responsible for development measures to eliminate occupational safety hazards and to develop occupational safety. Carrying out risk assessments is part of the employee induction programme. Workplace accidents reported by the business locations are investigated by the occupational protection organisation. Accidents that occur during work commutes are not investigated – it is more challenging to influence them, as we cannot affect the environment outside our own locations.	

Key figure	GRI content	Location	Additional information	Version
403-3	Occupational health services	Competence development model enables Alko personnel to develop in new ways	Alko's occupational healthcare services have been organised at a national level and cover all personnel. Occupational healthcare plays an important role in preventing and combating health hazards caused by work and working conditions, and in promoting and protecting employees' health, safety and working capacity. Occupational healthcare conducts regular workplace surveys.	
403-4	Worker participation, consultation, and communication on occupational health and safety	Competence development model enables Alko personnel to develop in new ways	The collective agreement includes an occupational safety agreement. Alko has a company-level occupational safety committee that includes representatives of personnel groups. Composition: 4 representatives of waged staff/salespeople, 2 representatives of salaried staff, 2 representatives of the employer.	
403-5	Worker training on occupational health and safety	Competence development model enables Alko personnel to develop in new ways	Employees are given induction in occupational health and safety issues. In addition, all employees receive safety training and online training on topics related to health and working capacity. Regular training on working capacity management is also organised for supervisors. Subcontractors are responsible for this with regard to their own employees in cooperation with Alko.	
403-6	Promotion of worker health	Competence development model enables Alko personnel to develop in new ways	In addition to statutory occupational healthcare, Alko provides extensive occupational healthcare services, medical treatment, specialised medical treatment and wellbeing services.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Long-term efforts to champion wellbeing	Alko's goods suppliers commit to Alko's responsibility requirements by approving amfori BSCI's Code of Conduct and the principle of due diligence contained therein.	
403-8	Workers covered by an occupational health and safety management system	Competence development model enables Alko personnel to develop in new ways	Everyone working for Alko is covered by its occupational health and safety management system.	
	GRI 404 TRAINING AND EDUCATION			2016
404-1	Average hours of training per year per employee	Competence development model enables Alko personnel to develop in new ways	Average hours of training per employee in 2021: 24.4 hours. This information cannot currently be reported by gender or role. We are enhancing our reporting to address this issue.	
404-2	Programmes for upgrading employee skills and transition assistance programmes	Competence development model enables Alko personnel to develop in new ways	Coaching is provided as required during transitions, and supervisors receive support for managing transitions. No significant transitions occurred in 2021. The company does not have transition training programmes for retirement.	
404-3	Percentage of employees receiving regular performance and career development reviews	Competence development model enables Alko personnel to develop in new ways	Target and competence discussions are held regularly at Alko, 1–2 times a year. All personnel take part in these discussions.	
	GRI 405 DIVERSITY AND EQUAL OPPORTUNITIES			2016
405-1	Diversity of governance bodies and employees	Competence development model enables Alko personnel to develop in new ways, Personnel, Board of Directors and committees, Management Team		
405-2	Ratio of basic salary and remuneration of women to men	Competence development model enables Alko personnel to develop in new ways	<p>Basic salaries for store staff are determined in accordance with the salary tables contained in the applicable collective agreement. The remuneration system for store staff is skill-based, and we compensate staff for both demonstrable expertise and competence development. The competence assessment process is an integral part of the remuneration system, and every salesperson's competence is assessed annually. Basic salaries for employees in expert and managerial positions are determined on the basis of position-specific competence requirements, actual competence and performance. The HAY System's classifications and contractual salary grades are applied to office staff. The classification factors are divided into know-how, accountability and problem-solving. Store group managers are covered by a contractual salary system in which their minimum salary is determined on the basis of the store group's net sales and customer numbers.</p> <p>We conducted a salary analysis as part of our diversity plan and determined the basic salary level for men and women working in the same position or comparable positions (tasks within the same competence classification). The grounds for remuneration are the same, regardless of gender. The salary analysis did not detect any differences in the remuneration paid to employees working in the same or comparable positions.</p>	

Key figure	GRI content	Location	Additional information	Version
	GRI 406 NON-DISCRIMINATION			2016
406-1	Incidents of discrimination and corrective actions taken	Report of the Board of Directors		
	GRI 407 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			2016
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Long-term efforts to champion wellbeing		
	GRI 414 SUPPLIER SOCIAL ASSESSMENT			2016
414-1	New suppliers that were screened using social criteria	Long-term efforts to champion wellbeing	All of Alko's product suppliers sign a Code of Conduct when they offer products for the selection. Suppliers and producers of beverages in Alko's general selection are subject to assessment. More detailed information about the supply chain is collected and assessed, and operations are monitored in high-risk areas. Producers are audited on the basis of risks. The company has not kept any statistics on the percentage accounted for by new suppliers with respect to these risks.	
	GRI 415 PUBLIC POLICY			
415-1	Political contributions	A changing operating environment requires a rapid response	Alko does not grant financial support to political actors.	
	GRI 416 CUSTOMER HEALTH AND SAFETY			2016
416-1	Assessment of the health and safety impacts of product and service categories	A proven safe and high-quality selection that meets customers' wishes	Products in the general and seasonal selections and large special editions undergo sensory evaluation. All products must be laboratory tested before being included in the selection. In the case of the general and seasonal selection, this testing is always performed at Alko's own laboratory. In addition, product quality is monitored with a risk-based quality control programme and customer feedback.	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	A proven safe and high-quality selection that meets customers' wishes	There were no public consumer recalls of products in 2021.	
	GRI 417 MARKETING AND LABELLING			2016
417-1	Requirements for product and service information and labelling	A proven safe and high-quality selection that meets customers' wishes	A total of 2,022 (1,838) label mark inspections were performed.	
	GRI 419 SOCIOECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area		Alko had no instances of non-compliance with laws and regulations in the social and economic area in 2021.	

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

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REPORT OF THE BOARD OF DIRECTORS

BOARD REVIEW

In accordance with the Nordic welfare model, Alko has two aims: to prevent and reduce the harmful effects of alcohol on health and society, and to enable people to enjoy beverages.

Our strategic goals are to provide world-class service and be a pioneer in responsibility. The prolonged coronavirus pandemic continued to affect Alko's sales and activities. The on-trade serving of alcoholic beverages was partially restricted and travellers' private imports remained at a low level. This meant that, as in 2020, sales of alcohol were steered towards Alko and the grocery trade. Last year's sales totalled 89 million litres, which was four per cent less than in 2020, but just under eight per cent more than in 2019. On the basis of statistics for the January–November period, coronavirus measures that restricted the availability of alcohol combined with higher prices resulting from a tax increase will lead to a year-on-year fall in total consumption in 2021.

Alko's current strategy was drawn up in 2018. The company's mission is *the most responsible way to sell alcohol in the world* and its vision is to be *esteemed by customers*. Alko's strategy consists of four areas:

- Don't let a drop become an ocean – a pioneer in responsibility
- World-class service – commendable contacts
- Success through enthusiasm
- Agile and efficient – has economic impact.

In autumn 2020, we updated our strategy to reflect changes in our operating environment, such as smooth multichannel service, customers' more personalised expectations, the transition to a remote and hybrid working culture, and a need to reduce climate emissions. However, Alko's strategy still retains its ambitious targets with respect to customers, responsibility, personnel and efficiency.

We have successfully put our strategy into practice in our everyday work, and our development projects have progressed as planned. In order to ensure operational efficiency, we have continued to enhance our processes, our business forecasting and the effectiveness of our measures. This was reflected in the company's result for 2021. Cost-effectiveness improved and operating profit rose by 4.3 per cent on the previous year.

Finns support Alko and its responsible mission to be of service to both customers and Finland's welfare society. 67 (71) per cent do not want to see wines in grocery stores if that would also mean that spirits could be sold in grocery stores. 55 (60) per cent of Finns think that Alko is a good method of limiting the harmful effects of alcohol consumption. This information comes from Kantar TNS Oy and the National Institute for Health and Welfare's annual Opinions on Alcohol Policy survey, which has been carried out since 1984. The survey was completed in February 2022.

Alko's net sales including alcohol tax totalled EUR 1,290.3 (1,296.7) million. Net sales excluding alcohol tax were EUR 634.0 (640.6) million. Changes in sales channels brought about by the coronavirus pandemic contributed to Alko's net sales. Fixed costs totalled EUR 148.4 million (151.7), and they fell by 2.2 per cent on the previous year. Operating profit totalled EUR 67.6 (64.8) million, representing 5.2 (5.0) per cent of net sales including alcohol tax.

Financial income and expenses totalled EUR 1.7 (-1.0) million in 2021. Profit for the financial year was EUR 55.4 (50.9) million. The balance sheet total came to EUR 291.9 (310.0) million. The equity ratio came to 37.5 (36.8) per cent. The company's total investments amounted to EUR 5.1 (6.1) million. Investments mainly focused on strategic projects and developing the Alko store network. The company continued to invest in the development of its multichannel customer service.

KEY FIGURES

	2019	2020	2021
Net sales (EUR million)	1,144.0	1,296.7	1,290.3
Net sales excluding alcohol tax (EUR million)	558.3	640.6	634.0
Operating profit (EUR million)	40.1	64.8	67.6
Income tax on ordinary operations (EUR million)	-8.1	-12.9	-13.9
Profit for financial year (EUR million)	31.9	50.9	55.4
Income from ordinary operations (EUR million)	31.9	50.9	55.4
Dividend (proposal 2020) (EUR million)	30.0	60.0	60.0
Return on equity (%)	34.6	49.2	49.6
Equity ratio (%)	35.5	36.8	37.5
Balance sheet total (EUR million)	262.0	310.0	291.9
Gross investments in fixed assets (EUR million)	7.6	6.1	5.1
Average number of personnel during the financial year	2,466	2,454	2,472

Taxation and prices

The excise tax on alcoholic beverages was raised by about 5 per cent at the beginning of 2021. The retail sales prices of Alko's entire selection increased by about one per cent. Goods suppliers had the opportunity to change their prices in February, June and October.

The alcohol tax, VAT, fees, corporation tax and dividends collected via Alko benefit everyone in Finland. A total of EUR 966 million in revenue from alcohol tax and VAT was accrued for the State in 2021, which was about a million less than in 2020.

WORLD-CLASS SERVICE

In 2021, Alko's service network consisted of 368 (364) stores, 143 (126) pick-up points, the online shop and the mobile app. We opened new stores in Kerava, Seinäjoki, the Rusko area of Oulu, and the Koivuhaka district of Vantaa. A total of 55.4 (57.2) million customers shopped at Alko. At the end of the year, the online shop had a total of 210,000 (150,000) registered customers and the mobile app had 180,000 (100,000) users. The number of online orders rose by 27 per cent compared to the previous year.

Alko's service quality is measured with the National Customer Service Feedback Survey (KAP) carried out by Taloustutkimus. In the survey, Alko received the best score in the Finnish retail sector for the thirteenth year in a row with an average score of 8.55 (target 8.57, previous year 8.56). Alko ranked second among all service companies, behind the library. In the Data & Marketing Association of Finland's 2021 survey, customers ranked Alko's customer experience as the best in Finland. The customer satisfaction NPS for the online shop rose to 76.5 (target 77.0, previous year 74.3). The customer service centre received a total of 85,000 (90,000) customer contacts in 2021.

Alko continued to develop its service network and digital customer experience with the aim of providing an even smoother multichannel service experience. Through Alkotoive, customers can request a product – either from Alko's selection or otherwise – to be stocked by a specific store. The service was launched in September 2020. 30,000 requests were made during 2021, of which about 30 per cent were fulfilled.

The world in a glass

Alko's selection featured drinks from 80 (78) countries. The company bought beverages from 863 (780) suppliers. Alko's selection included 13,247 (12,371) different products in 2021.

We list new products for sale on a weekly basis. Including seasonal products and special editions, 1,321 (1,041) new products were introduced to the general selection in 2021. 1,972 (1,837) new products were added to the sale-to-order selection. Alko's selection had 280 (201) non-alcoholic beverages.

We measure customer satisfaction with Alko's selection twice a year using a Selection Satisfaction Survey (carried out by Dagmar Drive). Selection satisfaction was at an all-time high in autumn 2021 with a score of 8.57 out of 10 (target 8.57, previous year 8.56).

DON'T LET A DROP BECOME AN OCEAN – A FORERUNNER IN RESPONSIBILITY

In line with its mandate, responsibility is the focal point of Alko's strategy. Responsibility is assured in decision-making and the daily work of all Alko employees.

Responsibility focused on measures to prevent the harmful effects of alcohol and reduce climate emissions – without forgetting other aspects of responsibility and sustainability. Alko actively interacts with its stakeholders. The company continually develops its operations on the basis of feedback.

Responsibility management

Alko's responsibility measures cover all of the company's activities and are divided into seven areas: responsible customer service; fair to everyone (equality in our business operations); cooperation projects on the theme 'championing wellbeing, fighting social exclusion'; environmental efforts; making the invisible visible in the supply chain; high-quality alternatives for customers; and promoting a thriving food and drink culture.

Alko sets clear annual targets for both responsible operations and their development. The responsibility working group handles the development projects and measures relating to responsibility. The Management Team reviews responsibility issues that are of key relevance to the strategy and action plan.

The leader of each business unit and support function bears responsibility for operational management.

Alko's Board of Directors regularly reviews the key responsibility measures that are prepared by the Board's Responsibility Committee. The Supervisory Board approves the annual plan for responsibility measures and presents a report on the actions carried out during the previous year. The President & CEO reports on the responsibility actions at Alko's Annual General Meeting. The AGM also decides on the maximum amount of donations to be granted by the company. Alko engages in close cooperation in environmental issues and both the traceability and ethicality of the supply chain with the alcohol monopolies of Sweden, Norway, Iceland and the Faroe Islands.

Alko's responsibility performance is measured using the score generated by T-Media Oy's Reputation & Trust survey. Although the score for our responsibility image improved (result 3.42), it fell short of the target (target 3.47, previous year 3.36, on a scale of 1–5)

Championing wellbeing, fighting social exclusion

Our main responsibility theme was making loneliness visible and preventing it. Loneliness was already a social challenge before the coronavirus outbreak, but it has been exacerbated by the pandemic. However, the products on Alko's shelves will not help you overcome loneliness – the best medicine is connecting with another person. This was the message of our theme year's #perjantapuhelu (#fridaycall) campaign, which reached about three million Finns. 71 per cent liked the campaign and felt that it was different and insightful. Alko was also involved in HelsinkiMissio's *Work to Belong* programme,

which seeks to promote a sense of solidarity and prevent loneliness in the workplace. Alko also funded a study on the connection between alcohol use and feelings of loneliness.

Other major collaborative projects included the FASD campaign with the Finnish Association on Intellectual and Developmental Disabilities and a project with the Finnish Olympic Committee to promote healthy lifestyles.

Uncompromisingly responsible customer service

Checking age limits, suspected cases of intoxication and suspected handovers of alcohol to minors form part of Alko's responsible customer service and are a tangible means of preventing the harmful effects of alcohol at the individual level. 5.7 (5.4) million Alko customers showed proof of their legal age in stores. Almost 0.5 (0.5) million checks of suspected intoxication and just under 0.3 (0.3) million checks of suspected handovers were also carried out.

Alko measures the success of these checks using a Mystery Shopping survey. Mystery shopping is a research method based on observation, in which young test customers do business as ordinary customers. Our result for age-limit checks was 93.6 per cent (target 98 per cent, previous year 97.9 per cent). Although we fell short of the target, our result remained at a good level. The result was affected by tighter criteria relating to the use of face masks. A test visit was deemed a failure if the salesperson checked the customer's ID, but did not ask the customer to remove their face mask.

ENVIRONMENTALLY FRIENDLY CHOICES

The total climate impact of Alko's operations was analysed by an external expert company in spring 2021. According to this analysis, Alko's emissions in 2020 totalled 149,500 tons of carbon dioxide equivalent (tCO₂e), which equates to the annual climate emissions of 14,000 Finns. Beverage production accounts for 53 per cent of total emissions, the manufacture of beverage packaging for 24 per cent, and international transport for 18 per cent. Measures to reduce the emissions from beverage packaging have led to an 8 per cent decrease in these emissions from 2016 to 2020. Our aim is to halve the climate emissions from packaging (tCO₂e/million litres) by 2030 via a variety of means, such as increasing the proportion of Green Choice products that have environmentally responsible packaging.

Alko's Green Choice markings and their various symbols indicate environmental efforts and sustainable development, thereby helping consumers to make more responsible choices. Our Green Choice symbols are: Biodynamic, Carbon Neutral, Environmentally Responsible Packaging, Natural wine, Organic, Sustainability Certificate, and Vegan.

Emissions from the company's own operations accounted for two per cent of Alko's organisational carbon footprint. Our own operations have an ISO 14001:2015 environmental certificate and their main source of emissions is electricity consumption in the store network. 161 stores use certified emission-free electricity generated by hydroelectric power. In addition, the electricity purchased by 176 stores via lease agreements comes from a variety of renewable energy sources. In 2021, we increased the number of deliveries that combined online shop purchases with store shipments. In the off-season, about 65 per cent of online shop packages are

now delivered as part of regular store deliveries rather than as separate consignments. Our aim is for Alko's own operations to be carbon neutral by 2030.

RESPECTING HUMAN RIGHTS

Alko is committed to respecting all internationally recognised human rights. We published a human rights commitment in December 2017. In order to support continuous improvement, in 2021 we worked on an assessment methodology for conducting human rights assessments of our own operations and supply chain. After receiving a recommendation from the Non-Discrimination Ombudsman, Alko revised its guidelines for preventing discrimination related to a person's ethnic background.

All beverage suppliers must commit to amfori BSCI's Code of Conduct for the supply chain, which is based on international agreements and commitments. The most significant human rights risks identified in the alcoholic beverage supply chain relate to the primary production of ingredients and seasonal labour. Problems identified in the industry include ambiguous management practices, exceeding statutory working hours, and compromising on occupational health and safety. The non-realisation of employees' freedom of association is also an area in which Alko collaborates with the IUF (International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tourism, Tobacco and Allied Workers' Associations) and Service Union United PAM.

Due to the coronavirus pandemic, Alko did not commission any full amfori BSCI audits in countries of origin in 2021. However, more lightweight sustainability visits were carried out at a total of 14 production facilities and vineyards in Italy. Alko commissioned an international audit company to carry

out these visits. The visits resulted in a total of 43 findings that mostly related to the status of workers and their occupational health and safety.

The company was not made aware of any zero-tolerance cases (as specified in amfori BSCI's protocol) in the supply chain. Zero-tolerance cases are by nature flagrant violations or negligence that require immediate intervention.

ETHICAL PRINCIPLES

Alko has Ethical Principles that have been approved by the Board of Directors and were completely updated in 2019. All personnel have completed online training in Alko's Ethical Principles. Our ethical principles guide each and every employee in accordance with the current values and principles for responsible operations that have been approved by the company's management. The ethical principles are discussed and approved by the company's Board of Directors on an annual basis.

In accordance with its ethical principles, Alko personnel may not accept or give any direct or indirect gifts or benefits that could be considered as bribery or corruption. Alko requires every employee to comply with and promote its ethical principles. We introduced a Whistleblowing channel in 2021.

In order to safeguard equality in our cooperation with suppliers, a set of rules has been drawn up for dealings between procurement personnel and suppliers, and likewise for dealings between stores and suppliers. During 2021, there were no ongoing legal cases or investigations into non-competitive behaviour involving Alko.

SKILLED AND ENTHUSIASTIC PERSONNEL

We conducted a culture survey at Alko in 2019. The survey highlighted three cornerstones of our operating culture: team spirit (together we are more), clarity (let's not make this too difficult), and impact (we do what works). Last year, we integrated these cornerstones into our everyday actions and choices.

Personnel competence development and product and service training were carried out on the basis of a revised model. Our digital learning platform, Kupla, was introduced in early autumn 2021. Alko employees received an average of three days of training in 2021. Leadership coaching aimed at Alko supervisors began towards the end of the year.

Alko had an average of 2,472 (2,454) employees in 2021. About 400 seasonal workers are hired on fixed-term contracts during the summer and Christmas seasons, and many of them stay on to become permanent employees. In terms of computational work-years, the work done by full-time and part-time employees totalled 1,957 (1,937) work-years.

Alko's strategic incentive scheme uses targets and indicators for responsibility, customers, personnel and efficiency to guide employees to successfully implement Alko's strategy through teamwork. Incentives are not based on sales growth or the company's financial result. In 2021, according to the financial statements, wages and commissions for personnel totalled EUR 71.1 (74.6) million. A total of EUR 4.51 (2.78) million in incentives was paid, which accounted for 6.3 (3.7) per cent of salary- and fee-related costs.

Alko makes outlays on personnel wellbeing and the prevention of working capacity risks – occupational healthcare and safety are an important aspect of this.

SHARES AND SHAREHOLDERS

Alko Inc. has one series of shares (10,000,000 shares). The Government owns Alko's entire share capital.

GOVERNANCE

Alko's Annual General Meeting elected Harri Sailas, M.Sc. (Econ.), as Chair of the Board and Director General Markku Tervahauta, MD, PhD, as Vice-Chair of the Board. The following members were elected: Laura Raitio, Licentiate in Technology; CEO Kirsi Paakkari, M.Sc. (Econ.); Pekka Perttula, PhD (Political Science); and Ulrika Romantschuk, EVP, Head of Brand, Communication and Marketing, BA (Political Science).

Personnel representatives Riina Väntsi and Sini Heikkinen attend the Board of Directors' meetings without the right to vote.

The Board of Directors has three committees, namely the Audit, Personnel and Responsibility Committees. The auditors appointed for the company are the Authorised Accounting Firm KPMG Oy. The chief auditor is Leenakaia Winberg, Authorised Public Accountant.

The taxonomy assessment criteria that have been published by the EU Commission to date do not include the retail sector. Alko's operations did not, therefore, fall within the scope of the taxonomy classification system in 2021.

RISK MANAGEMENT

Alko's Board of Directors approves the company's risk management policy and monitors that risk management measures are adequate and effective. The President & CEO is, with the assistance of the Management Team, responsible for risk management policy and its enforcement, and

also for ensuring that risk management is appropriately arranged. Alko's risk management is based on systematically and proactively analysing and managing the threats and opportunities related to its activities. These risks are classified as strategic and operational risks.

The Management Team regularly assesses risks that may impact on its future development and profitability. Units assess operational risks in their own areas of responsibility in accordance with the annual calendar for risk management. When risk assessments are performed, named persons are assigned to manage these risks by defining preventative measures and ensuring their implementation.

The most critical risks are:

- Legislative amendments.
- Changes in alcohol taxation may affect travellers' private imports of alcoholic beverages, thereby impacting Alko's sales trend and profitability.
- The impacts of the coronavirus pandemic on health, the economy and business continuity.
- Operational responsibility: selling alcohol to minors or intoxicated people in violation of the principles of responsible customer service, environmental and social responsibility risks in the alcoholic beverage supply chain.
- Staff availability.
- Business interruptions caused by disruptions in ICT services and cybercrime.
- Critical information ending up in the wrong hands.

EVENTS AFTER THE END OF THE FINANCIAL PERIOD

On 28 February 2022, Alko suspended the sale of Russian products until further notice.

OUTLOOK FOR 2022

Alko's sales volume during early 2022 was down on the previous year. The gradual easing of coronavirus restrictions is being reflected in alcohol sales channels, as sales are now more evenly distributed between on-trade (bars and restaurants) and off-trade channels (Alko and grocery stores).

Alcohol sales and sales channels in Finland may be affected by the situation in Ukraine and its potential knock-on effects, the coronavirus pandemic, an uncertain economic situation, inflation, rising interest rates, various restrictions, and changes in alcohol policy. Coronavirus restrictions have currently been lifted, which decreases Alko's sales.

Alko will continue to develop its responsible and multichannel service in accordance with its updated strategic measures. The company will update its strategy in 2022.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The Board proposes that EUR 631,187.21 be transferred from the other equity fund to the unrestricted equity fund to cover the costs of improving wellbeing at work.

The parent company's distributable funds at 31 December 2021 totalled EUR 91,686,733.92 (96,280,858.29), of which EUR 55,405,875.63 (50,906,613.10) is profit for the financial year.

The Board proposes that the company's distributable funds be used as follows:

• distributed as a dividend	EUR 60,000,000.00
• retained under equity	EUR 31,686,733.92
	<hr/>
	EUR 91,686,733.92

No substantial changes have occurred in the company's financial position since the end of the financial year. Alko's liquidity is good and, in the Board's opinion, will not be jeopardised by the proposed distribution of profits.

INCOME STATEMENT AND BALANCE SHEET

ALKO GROUP

INCOME STATEMENT, FAS*	MEUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
NET SALES			1,290.4	1,296.8
Other operating income		2.1	1.9	1.3
Materials and services		2.2	-1,076.3	-1,081.5
Personnel costs		2.4	-86.1	-88.8
Depreciation and write-downs		2.6	-8.3	-8.1
Other operating expenses		2.8	-54.0	-54.6
OPERATING PROFIT			67.6	65.0
Financial income and expenses		2.9, 2.10	1.7	-1.0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES			69.4	64.0
Income taxes		2.11	-13.8	-12.8
PROFIT/LOSS FOR FINANCIAL YEAR			55.5	51.2

*Finnish Accounting Standards, FAS

BALANCE SHEET, FAS*	MEUR	Note	31 Dec 2021	31 Dec 2020
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		3.1, 3.4	3.3	4.2
Tangible assets		3.2, 3.5	42.0	43.7
Investments		3.3, 3.6	3.0	3.0
NON-CURRENT ASSETS			48.4	51.0
CURRENT ASSETS				
Inventories		4.3	78.8	80.1
Non-current receivables		4.4	0.1	1.7
Deferred tax assets			1.0	1.0
Current receivables		4.6	12.5	12.4
Cash and cash equivalents		4.1	154.7	168.1
CURRENT ASSETS			247.1	263.3
ASSETS			295.5	314.3
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital			16.8	16.8
Other funds			0.8	0.8
Retained profit			38.3	47.0
Profit/loss for financial year			55.5	51.2
SHAREHOLDERS' EQUITY		5.1	111.4	115.9
OBLIGATORY PROVISIONS		6.1	0.0	0.0
LIABILITIES				
Deferred tax liability			1.4	1.4
Current non-interest-bearing liabilities		7.2	182.6	196.9
LIABILITIES			184.0	198.3
SHAREHOLDERS' EQUITY AND LIABILITIES			295.5	314.3

CASH FLOW STATEMENT

ALKO GROUP

CASH FLOW STATEMENT, FAS MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
CASH FLOW FROM OPERATIONS		
Profit/loss for financial year	55.5	51.2
ADJUSTMENTS		
Depreciation and write-downs	8.3	8.8
Capital gains (-) and losses (+) on non-current assets	0.0	-0.1
Other income and expenses not involving payments	-0.3	1.0
Financial income and expenses	-1.7	0.2
Income taxes	13.8	12.8
Cash flow before change in working capital	75.6	74.1
CHANGE IN WORKING CAPITAL		
Increase(-) / decrease(+) in inventories	1.6	-3.6
Increase (-) / decrease (+) in current non-interest-bearing accounts receivable	1.4	5.3
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-14.3	26.9
Change in provisions	0.0	0.0
Cash flow from operations before financial items and taxes	64.4	102.6
Interest paid on operations	0.0	-0.5
Dividends received from operations	0.0	0.0
Interest received from operations	1.8	0.2
Other financial items from operations	0.0	0.0
Direct taxes paid	-13.9	-9.6
CASH FLOW FROM OPERATIONS	52.3	92.8

CASH FLOW STATEMENT, FAS MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-5.7	-6.8
Income from the surrender of tangible and intangible assets	0.0	0.0
Acquisition of subsidiaries	0.0	0.0
Divested shares in associated companies	0.0	0.0
Other investments	0.0	0.0
Income from the surrender of other investments	0.0	0.2
CASH FLOW FROM INVESTMENTS	-5.7	-6.7
CASH FLOW FROM FINANCIAL OPERATIONS		
Dividends paid	-60.0	-30.0
CASH FLOW FROM FINANCIAL OPERATIONS	-60.0	-30.0
CHANGE IN FINANCIAL POSITION	-13.5	56.1
Financial resources at the beginning of the year	168.1	112.0
Change in financial position	-13.5	56.1
Financial resources at the end of the year	154.7	168.1

INCOME STATEMENT AND BALANCE SHEET

ALKO INC.

INCOME STATEMENT, FAS	MEUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
NET SALES			1,290.3	1,296.7
Other operating income		2.1	1.9	1.3
Materials and services		2.2	-1,076.3	-1,081.5
Personnel costs		2.4	-86.1	-88.8
Depreciation and write-downs		2.6	-7.7	-7.4
Other operating expenses		2.8	-54.6	-55.5
OPERATING PROFIT			67.6	64.8
Financial income and expenses		2.9, 2.10	1.7	-1.0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES			69.3	63.8
Income taxes		2.11	-13.9	-12.9
PROFIT/LOSS FOR FINANCIAL YEAR			55.4	50.9

BALANCE SHEET, FAS	MEUR	Note	31 Dec 2021	31 Dec 2020
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		3.1, 3.4	3.3	4.2
Tangible assets		3.2, 3.5	12.4	14.0
Investments		3.3, 3.6	30.2	30.2
NON-CURRENT ASSETS			45.8	48.4
CURRENT ASSETS				
Inventories		4.3	78.8	80.1
Non-current receivables		4.4	0.1	1.7
Current receivables		4.6	12.5	12.4
Cash and cash equivalents		4.1	154.7	167.4
CURRENT ASSETS			246.0	261.6
ASSETS			291.9	310.0
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital			16.8	16.8
Other funds			0.8	0.8
Retained profit			36.3	45.4
Profit/loss for financial year			55.4	50.9
SHAREHOLDERS' EQUITY		5.1	109.3	113.9
OBLIGATORY PROVISIONS		6.1	0.0	0.0
LIABILITIES				
Current non-interest-bearing liabilities		7.2	182.5	196.1
LIABILITIES			182.5	196.1
SHAREHOLDERS' EQUITY AND LIABILITIES			291.9	310.0

CASH FLOW STATEMENT

ALKO INC.

CASH FLOW STATEMENT, FAS MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
CASH FLOW FROM OPERATIONS		
Profit/loss for financial year	55.4	50.9
ADJUSTMENTS		
Depreciation and write-downs	7.7	8.1
Capital gains (-) and losses (+) on non-current assets	0.0	-0.1
Other income and expenses not involving payments	-0.3	1.0
Financial income and expenses	-1.7	0.2
Income taxes	13.9	12.9
Cash flow before change in working capital	75.0	73.2
CHANGE IN WORKING CAPITAL		
Increase (-) / decrease (+) in inventories	1.6	-3.6
Increase (-) / decrease (+) in current non-interest-bearing accounts receivable	1.4	5.3
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-13.6	26.2
Change in provisions	0.0	0.0
Cash flow from operations before financial items and taxes	64.5	101.1
Interest paid on operations	0.0	-0.5
Dividends received from operations	0.0	0.0
Interest received from operations	1.8	0.2
Other financial items from operations	0.0	0.0
Direct taxes paid	-13.9	-9.6
CASH FLOW FROM OPERATIONS	52.4	91.2

CASH FLOW STATEMENT, FAS MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-5.1	-6.1
Income from the surrender of tangible and intangible assets	0.0	0.0
Divested shares in associated companies	0.0	0.0
Other investments	0.0	0.0
Income from the surrender of other investments	0.0	0.2
CASH FLOW FROM INVESTMENTS	-5.1	-5.9
CASH FLOW FROM FINANCIAL OPERATIONS		
Dividends paid	-60.0	-30.0
CASH FLOW FROM FINANCIAL OPERATIONS	-60.0	-30.0
CHANGE IN FINANCIAL POSITION	-12.7	55.4
Financial resources at the beginning of the year	167.4	112.0
Change in financial position	-12.7	55.4
Financial resources at the end of the year	154.7	167.4

1 NOTES TO THE ACCOUNTING PRINCIPLES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS

SCOPE OF THE CONSOLIDATED STATEMENT AND ACCOUNTING PRINCIPLES

The Alko Group consists of the parent company Alko Oy (Business ID: 1505551-4) and four subsidiaries in the form of real estate companies. Puolangan Keskus (50.48%), Raahen Asemakatu 12 (57.9%), Vuoksenniskan Harjulanrinne (100%) and Kiinteistö Oy Arkadiantalo (100%).

The Consolidated Financial Statements include Kiinteistö Oy Arkadiantalo. Other subsidiaries have no material effect in the result or the financial position.

INTERNAL SHAREHOLDINGS

The Consolidated Financial Statements have been prepared using the purchase method. Depreciation is carried out according to the depreciation plan for non-current assets.

INTER-COMPANY TRANSACTIONS AND MARGINS

Intra-Group transactions, unrealised margins on internal deliveries, internal receivables and payables, as well as internal profits, are eliminated.

MINORITY INTERESTS

There are no minority interests.

COMPARABILITY OF THE FINANCIAL STATEMENTS

The financial statements are comparable.

VALUATION PRINCIPLES

Net sales

Net sales include excise taxes.

Fixed asset valuation

Fixed assets are stated at cost minus planned depreciation. Planned depreciation has been calculated on a straight-line basis over the useful life of the item in question. Depreciation begins from the month when the item was first used. The depreciation plan is the same as in the previous year.

Depreciation periods:	Years
Structures	20
Buildings	25–40
Machinery and equipment	5
Transport equipment	5
Computer hardware	3
Computer software	3–5
Renovation of store premises	5

Valuation of inventories

Inventories have been valued at their average price.

Store inventories include excise duty.

The central warehouse in Voutila, Vantaa is excise duty free.

Valuation of financial assets

Financial securities are valued at historical cost or, if lower, at the likely price of surrender.

Items denominated in foreign currencies

Any receivables and liabilities denominated in foreign currencies are converted into euros at the rate on the last day of the financial year.

2 NOTES TO THE INCOME STATEMENT, FAS

	ALKO GROUP		ALKO INC.	
MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
2.1 OTHER OPERATING INCOME				
Rental income	1.2	1.0	1.2	1.0
Other operating income	0.8	0.3	0.8	0.3
Profit on the sale of fixed assets	0.0	0.1	0.0	0.1
Total other operating income	1.9	1.3	1.9	1.3
2.2 MATERIALS AND SERVICES				
Purchases during the financial period	-1,068.9	-1,078.8	-1,068.9	-1,078.8
Increase/decrease in inventories	-1.2	2.7	-1.2	2.7
Materials, consumables and supplies	-1,070.2	-1,076.1	-1,070.2	-1,076.1
Outsourced services	-6.1	-5.4	-6.1	-5.4
Total materials and services	-1,076.3	-1,081.5	-1,076.3	-1,081.5
2.3 AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR				
	2,472	2,454	2,472	2,454
2.4 PERSONNEL COSTS				
Wages, salaries and remuneration	-71.1	-74.6	-71.1	-74.6
Pension expenses	-12.3	-11.7	-12.3	-11.7
Other personnel-related expenses	-2.7	-2.6	-2.7	-2.6
Total personnel costs	-86.1	-88.8	-86.1	-88.8

Alko personnel whose employment contract started before 31 December 1991 are covered by the supplementary pension system. Their retirement age is 61 years and their pensions are 66 per cent of their salaries.

On 31 December 2021, the OP-Life group pension insurance taken out by the parent company had an additional insurance fund of EUR 15.4 million (EUR 16.2 million). This fund can be used as insurance against supplementary pension index increases and other obligations.

	ALKO GROUP		ALKO INC.	
MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
2.5 SALARIES, REMUNERATION AND BENEFITS PAID TO MANAGEMENT				
President & CEO	0.5	0.4	0.5	0.4
Members of the Board of Directors	0.1	0.2	0.1	0.2
Supervisory Board wages, salaries and remuneration	0.0	0.0	0.0	0.0
Total salaries, remuneration and benefits paid to Management	0.7	0.6	0.7	0.6
Incentive bonuses are included in salaries on an accrual basis.				
2.6 DEPRECIATION AND WRITE-DOWNS				
Depreciation according to plan	-8.3	-8.1	-7.7	-7.4
Depreciation according to plan on non-current assets and goodwill	-8.3	-8.1	-7.7	-7.4
Reversed impairment on non-current asset items	0.0	0.0	0.0	0.0
Total depreciation and write-downs	-8.3	-8.1	-7.7	-7.4
2.7 AUDITOR'S FEES				
KPMG Oy Ab				
Auditing	0.0	0.0	0.0	0.0
Other fees	0.1	0.0	0.1	0.0
Total auditor's fees	0.1	0.0	0.1	0.0

	ALKO GROUP		ALKO INC.	
MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
2.8 OTHER OPERATING EXPENSES				
Rents	-19.8	-20.0	-21.1	-21.5
Voluntary personnel-related expenses	-2.3	-1.5	-2.3	-1.5
Capital losses on non-current assets	0.0	0.0	0.0	0.0
Support given	0.0	-0.1	0.0	-0.1
Energy	-1.3	-1.3	-1.2	-1.1
Work outfits and equipment	-2.3	-3.4	-2.3	-3.4
Construction and repair services	-0.8	-0.7	-0.7	-0.5
IT services	-11.7	-11.5	-11.7	-11.5
Other outsourced services	-5.3	-5.3	-5.3	-5.3
Communications and marketing	-3.4	-2.9	-3.4	-2.9
Telecommunications	-0.9	-1.1	-0.9	-1.1
Credit card commissions and cash handling	-4.7	-4.9	-4.7	-4.9
Other expenses	-1.3	-2.0	-0.9	-1.6
Total other operating expenses	-54.0	-54.6	-54.6	-55.5
FINANCIAL INCOME AND EXPENSES				
2.9 FINANCIAL INCOME				
Dividends from others	0.0	0.0	0.0	0.0
Income from holdings	0.0	0.0	0.0	0.0
Other interest and financial income from others	1.6	0.3	1.6	0.3
Other financial income	1.6	0.3	1.6	0.3
Total financial income	1.6	0.3	1.6	0.3

	ALKO GROUP		ALKO INC.	
MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
2.10 FINANCIAL EXPENSES				
Impairment on investments in non-current assets	0.0	-0.7	0.0	-0.7
Other financial expenses	0.2	-0.5	0.2	-0.5
Total other interest and financial expenses	0.2	-1.3	0.2	-1.2
Total financial expenses	0.2	-1.3	0.2	-1.2
Total financial income and expenses	1.7	-1.0	1.7	-1.0
Profit/loss from exchange rates	0.0	0.0	0.0	0.0
Total profit/loss from exchange rates	0.0	0.0	0.0	0.0
2.11 DIRECT TAXES				
Income tax on operations	-13.9	-12.9	-13.9	-12.9
Changes in deferred tax liabilities and assets	0.1	0.1	0.0	0.0
Income tax on operations	-13.8	-12.8	-13.9	-12.9

NOTES TO THE BALANCE SHEET

3 NON-CURRENT ASSETS

MEUR	ALKO GROUP		ALKO INC.	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
3.1 INTANGIBLE ASSETS				
Other capitalised expenditures	2.6	4.0	2.6	4.0
Advance payments on intangible assets	0.7	0.2	0.7	0.2
Total intangible assets	3.3	4.2	3.3	4.2
3.2 TANGIBLE ASSETS				
Land and water areas	13.9	13.9	0.0	0.0
Buildings and structures	15.8	15.8	0.0	0.0
Machinery and equipment	12.3	14.0	12.3	14.0
Other tangible assets	0.0	0.0	0.0	0.0
Advance payments for ongoing acquisitions	0.0	0.0	0.0	0.0
Total tangible assets	42.0	43.7	12.4	14.0
3.3 INVESTMENTS				
Holdings in Group companies	0.1	0.1	27.2	27.2
Holdings in associated companies	0.6	0.6	0.6	0.6
Other shares and holdings	2.4	2.4	2.4	2.4
Total investments	3.0	3.0	30.2	30.2
Total non-current assets	48.4	51.0	45.8	48.4

3.4 INTANGIBLE ASSETS

ALKO GROUP

INTANGIBLE ASSETS 2020	MEUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		28.3	0.3	28.6
Increase		0.1	2.4	2.5
Decrease				0.0
Transfers between items		2.5	-2.5	0.0
Acquisition cost, 31 December		30.9	0.2	31.1
Accumulated depreciation, 1 January		-25.0		-25.0
Depreciation for the financial year		-1.9		-1.9
Accumulated depreciation, 31 December		-26.9		-26.9
Book value, 31 December		4.0	0.2	4.2

INTANGIBLE ASSETS 2021	MEUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		30.9	0.2	31.1
Increase		0.1	1.3	1.4
Decrease				0.0
Transfers between items		0.8	-0.8	0.0
Acquisition cost, 31 December		31.8	0.7	32.5
Accumulated depreciation, 1 January		-26.9		-26.9
Depreciation for the financial year		-2.3		-2.3
Accumulated depreciation, 31 December		-29.2		-29.2
Book value, 31 December		2.6	0.7	3.3

ALKO INC.

INTANGIBLE ASSETS 2020	MEUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		28.3	0.3	28.6
Increase		0.1	2.4	2.5
Decrease				0.0
Transfers between items		2.5	-2.5	0.0
Acquisition cost, 31 December		30.9	0.2	31.1
Accumulated depreciation, 1 January		-25.0		-25.0
Depreciation for the financial year		-1.9		-1.9
Accumulated depreciation, 31 December		-26.9		-26.9
Book value, 31 December		4.0	0.2	4.2

INTANGIBLE ASSETS 2021	MEUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		30.9	0.2	31.1
Increase		0.1	1.3	1.4
Decrease				0.0
Transfers between items		0.8	-0.8	0.0
Acquisition cost, 31 December		31.8	0.7	32.5
Accumulated depreciation, 1 January		-26.9		-26.9
Depreciation for the financial year		-2.3		-2.3
Accumulated depreciation, 31 December		-29.2		-29.2
Book value, 31 December		2.6	0.7	3.3

3.5 TANGIBLE ASSETS

ALKO GROUP

TANGIBLE ASSETS 2020	MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January		13.9	17.4	90.5	0.0	121.8
Increase			0.8	3.5		4.3
Decrease						0.0
Advance payments						0.0
Transfers between items						0.0
Acquisition cost, 31 December		13.9	18.2	94.0	0.0	126.1
Accumulated depreciation and write-downs, 1 Jan		0.0	-1.7	-74.5	0.0	-76.2
Accumulated depreciation on decreases and transfers						0.0
Depreciation for the financial year			-0.7	-5.5		-6.2
Write-downs for the financial year						0.0
Accumulated depreciation and write-downs, 31 Dec		0.0	-2.4	-80.0	0.0	-82.4
Book value, 31 December		13.9	15.8	14.0	0.0	43.7

TANGIBLE ASSETS 2021	MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January		13.9	18.2	94.0	0.0	126.1
Increase			0.6	3.7		4.3
Decrease						0.0
Advance payments						0.0
Transfers between items						0.0
Acquisition cost, 31 December		13.9	18.8	97.7	0.0	130.4
Accumulated depreciation and write-downs, 1 Jan		0.0	-2.4	-80.0	0.0	-82.4
Accumulated depreciation on decreases and transfers						0.0
Depreciation for the financial year			-0.6	-5.4		-6.0
Write-downs for the financial year				0.0		0.0
Accumulated depreciation and write-downs, 31 Dec		0.0	-3.0	-85.4	0.0	-88.4
Book value, 31 December		13.9	15.8	12.3	0.0	42.0

ALKO INC.

TANGIBLE ASSETS 2020	MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January		0.0	0.1	90.5	0.0	90.6
Increase				3.5		3.5
Decrease						0.0
Transfers between items						0.0
Acquisition cost, 31 December		0.0	0.1	94.0	0.0	94.1
Accumulated depreciation and write-downs, 1 Jan		0.0	-0.1	-74.5	0.0	-74.5
Accumulated depreciation on decreases and transfers						0.0
Depreciation for the financial year				-5.5		-5.5
Write-downs for the financial year						0.0
Accumulated depreciation and write-downs, 31 Dec		0.0	-0.1	-80.0	0.0	-80.1
Book value, 31 December		0.0	0.0	14.0	0.0	14.0

TANGIBLE ASSETS 2021	MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January		0.0	0.1	94.0	0.0	94.1
Increase				3.7		3.7
Decrease						0.0
Transfers between items						0.0
Acquisition cost, 31 December		0.0	0.1	97.7	0.0	97.8
Accumulated depreciation and write-downs, 1 Jan		0.0	-0.1	-80.0	0.0	-80.1
Accumulated depreciation on decreases and transfers						0.0
Depreciation for the financial year				-5.4		-5.4
Write-downs for the financial year				0.0		0.0
Accumulated depreciation and write-downs, 31 Dec		0.0	-0.1	-85.4	0.0	-85.4
Book value, 31 December		0.0	0.0	12.3	0.0	12.4

3.6 INVESTMENTS

ALKO GROUP

INVESTMENTS 2020	MEUR	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January		0.9	1.9	3.4	6.2
Increase					0.0
Decrease				-0.2	-0.2
Acquisition cost, 31 December		0.9	1.9	3.2	6.0
Accumulated write-downs and capital adjustments, 1 January		-0.8	-1.0	-0.4	-2.3
Accumulated write-downs on decreases and transfers				0.1	0.1
Accumulated depreciation		0.0	-0.3	-0.5	-0.7
Accumulated depreciation, 31 December		-0.8	-1.3	-0.8	-2.9
Book value, 31 December		0.1	0.6	2.4	3.0

INVESTMENTS 2021	MEUR	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January		0.9	1.9	3.2	6.0
Increase					0.0
Decrease					0.0
Acquisition cost, 31 December		0.9	1.9	3.2	6.0
Accumulated write-downs and capital adjustments, 1 January		-0.8	-1.3	-0.8	-2.9
Accumulated write-downs on decreases and transfers					0.0
Accumulated depreciation					0.0
Accumulated depreciation, 31 December		-0.8	-1.3	-0.8	-2.9
Book value, 31 December		0.1	0.6	2.4	3.0

ALKO INC.

INVESTMENTS 2020	MEUR	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January		28.0	1.9	3.4	33.3
Increase					0.0
Decrease				-0.2	-0.2
Acquisition cost, 31 December		28.0	1.9	3.2	33.1
Accumulated write-downs and capital adjustments, 1 January		-0.8	-1.0	-0.4	-2.3
Accumulated write-downs on decreases and transfers				0.1	0.1
Accumulated depreciation		0.0	-0.3	-0.5	-0.7
Accumulated depreciation, 31 December		-0.8	-1.3	-0.8	-2.9
Book value, 31 December		27.2	0.6	2.4	30.2

INVESTMENTS 2021	MEUR	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January		28.0	1.9	3.2	33.1
Increase					0.0
Decrease					0.0
Acquisition cost, 31 December		28.0	1.9	3.2	33.1
Accumulated write-downs and capital adjustments, 1 January		-0.8	-1.3	-0.8	-2.9
Accumulated write-downs on decreases and transfers					0.0
Accumulated depreciation					0.0
Accumulated depreciation, 31 December		-0.8	-1.3	-0.8	-2.9
Book value, 31 December		27.2	0.6	2.4	30.2

3.7 SHARES

ALKO INC.

	Parent company holding (%)	Percentage of shareholders' equity (EUR 1,000)	Shareholders' equity (EUR)	Amount (no.)	Nominal value (EUR/share)	Nominal value of shares/ holdings, 31 Dec 2021 (EUR 1,000, total)	Book value, 31 Dec 2021 (EUR 1,000)	Profit/loss according to the latest financial statements (EUR 1,000)
HOLDINGS IN GROUP COMPANIES								
Kiinteistö Oy Arkadiantalo, Helsinki	100.00						27,141	
Kiinteistö Oy Puolangan Keskus, Puolanka	50.48	186	368,433.56	275	56.00	15	10	-4
Kiinteistö Oy Raahen Asemakatu 12, Raahе	57.90	253	436,678.44	14,476	17.00	246	80	0
Kiinteistö Oy Vuoksenniskan Harjulanrinne, Imatra	100.00	0		7,308	0.30	2	0	
TOTAL HOLDINGS IN GROUP COMPANIES		439					27,231	
HOLDINGS IN PARTICIPATING INTEREST COMPANIES								
Kiinteistö Oy Enon Kauppakeskus, Eno	37.00	170	460,320.89	259	5.05	1	14	0
Asunto Oy Juvan Myllynkerä, Juva	31.50	129	410,265.81	3,150	0.25	1	35	11
Kaavin Yrittäjätalo Oy, Kaavi	23.20	70	301,195.47	348	16.82	6	10	-24
Kiinteistö Oy Kaivolankulma, Puumala	36.37	124	341,505.16	2,515	67.28	169	8	-6
Kiinteistö Oy Kannuksen Torinkulma, Kannus	46.03	328	713,406.16	2,900	1.68	5	60	0
Kiinteistö Oy Mantsintie 1-3, Ilomantsi	28.19	111	392,706.15	311	50.46	16	10	8
Kiinteistö Oy Nilsiänportti, Nilsiä	31.49	446	1,415,008.04	1,606	16.82	27	80	-1
Asunto-osakeyhtiö Pieksälä, Pieksämäki	26.82	197	733,480.09	54,800	1.68	92	15	13
Kiinteistö Oy Saarijärven Paavonaukio, Saarijärvi	29.58	233	786,327.87	392	168.19	66	35	5
Asunto Oy Sandelsinkatu 4, Helsinki	24.85	27	108,297.15	6,835	0.34	2	251	-2
Kiinteistö Oy Savitaipaleen Torinkulma, Savitaipale	23.00	186	808,712.55	2,300	0.34	1	20	4
Kiinteistö Oy Urpala, Rantasalmi	36.88	294	795,852.53	2,950	0.34	1	35	4
Kiinteistö Oy Äänekosken Torikatu 5, Äänekoski	36.29	312	860,117.61	450	16.82	8	15	-4
TOTAL HOLDINGS IN PARTICIPATING INTEREST COMPANIES		2,626					588	

4 CURRENT ASSETS

MEUR	ALKO GROUP		ALKO INC.	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
4.1 CASH AND CASH EQUIVALENTS				
Store cash registers	9.0	9.5	9.0	9.5
Bonds	4.0	8.6	4.0	8.6
Funds	129.6	134.3	129.6	134.3
Bank accounts	12.0	15.7	12.0	15.0
Total cash and cash equivalents	154.7	168.1	154.7	167.4
4.2 DIFFERENCE IN THE MARKET AND BOOK VALUES OF BONDS				
Market value of financial securities	4.1	8.7	4.1	8.7
Book value of financial securities	4.0	8.6	4.0	8.6
Difference	0.1	0.1	0.1	0.1
4.3 INVENTORIES				
Finished products and goods	78.2	79.5	78.2	79.5
Advance payments on inventories	0.5	0.6	0.5	0.6
Total inventories	78.8	80.1	78.8	80.1
4.4 OTHER NON-CURRENT RECEIVABLES				
Other	0.1	1.7	0.1	1.7
Total other non-current receivables	0.1	1.7	0.1	1.7

MEUR	ALKO GROUP		ALKO INC.	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
4.5 CURRENT RECEIVABLES FROM GROUP COMPANIES				
Current accounts receivable			0.0	0.0
Current prepaid expenses and accrued income			0.0	0.0
Total current receivables from Group companies			0.0	0.0
4.6 CURRENT RECEIVABLES				
Accounts receivable	11.5	11.4	11.5	11.4
Current prepaid expenses and accrued income (from others)	0.9	1.0	0.9	1.0
Other	0.0	0.0	0.0	0.0
Total current receivables	12.5	12.4	12.5	12.4
CURRENT RECEIVABLES	12.5	12.4	12.5	12.4
4.7 MAJOR ITEMS IN PREPAID EXPENSES AND ACCRUED INCOME				
Income tax receivables	0.0	0.0	0.0	0.0
KELA compensation for occupational health care	0.6	0.6	0.6	0.6
Interest receivables	0.0	0.1	0.0	0.1
License and maintenance fees for next year	0.2	0.3	0.2	0.3
Other prepaid expenses and accrued income	0.1	0.0	0.1	0.0
Total	0.9	1.0	0.9	1.0

5 SHAREHOLDERS' EQUITY

5.1 STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

ALKO GROUP

CHANGE IN SHAREHOLDERS' EQUITY 2020 MEUR	Share capital	Other funds	Profit funds	Total
EQUITY, 1 JAN	16.8	1.4	76.5	94.7
Distribution of dividend			-30.0	-30.0
Transfers between items, fund for wellbeing at work		-0.5	0.5	0.0
Profit for financial year			51.2	51.2
TOTAL EQUITY, 31 DEC	16.8	0.8	98.3	115.9

CHANGE IN SHAREHOLDERS' EQUITY 2021 MEUR	Share capital	Other funds	Profit funds	Total
EQUITY, 1 JAN	16.8	0.8	98.3	115.9
Distribution of dividend			-60.0	-60.0
Transfers between items, fund for wellbeing at work				0.0
Profit for financial year			55.5	55.5
TOTAL EQUITY, 31 DEC	16.8	0.8	93.8	111.4

ALKO INC.

CHANGE IN SHAREHOLDERS' EQUITY 2020 MEUR	Share capital	Other funds	Profit funds	Total
EQUITY, 1 JAN	16.8	1.4	74.8	93.0
Distribution of dividend			-30.0	-30.0
Transfers between items, fund for wellbeing at work		-0.5	0.5	0.0
Profit for financial year			50.9	50.9
TOTAL EQUITY, 31 DEC	16.8	0.8	96.3	113.9

CHANGE IN SHAREHOLDERS' EQUITY 2021 MEUR	Share capital	Other funds	Profit funds	Total
EQUITY, 1 JAN	16.8	0.8	96.3	113.9
Distribution of dividend			-60.0	-60.0
Transfers between items, fund for wellbeing at work				0.0
Profit for financial year			55.4	55.4
TOTAL EQUITY, 31 DEC	16.8	0.8	91.7	109.3

Alko Inc. has one series of shares (10,000,000 shares).

5.2 DISTRIBUTABLE EARNINGS

	ALKO GROUP		ALKO INC.	
MEUR	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Retained profit			36.3	44.8
Profit/loss for financial year			55.4	50.9
Transfer from other funds			0.0	0.5
Total adjustments			0.0	0.5
Distributable earnings			91.7	96.3

6 OBLIGATORY PROVISIONS

MEUR	ALKO GROUP		ALKO INC.	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
6.1 OBLIGATORY PROVISIONS				
Rent liability for vacant premises	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0

7. LIABILITIES

MEUR	ALKO GROUP		ALKO INC.	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
7.1 CURRENT LIABILITIES TO GROUP COMPANIES				
Accounts payable to Group companies			0.0	0.1
Accrued expenses and deferred income to Group companies			0.0	0.0
Current liabilities to Group companies, total			0.0	0.1
7.2 CURRENT LIABILITIES				
Accounts payable	147.7	161.8	147.7	160.9
Accrued expenses and deferred income	20.7	23.7	20.7	23.6
Other liabilities	14.0	11.2	14.0	11.2
Advances received	0.2	0.2	0.2	0.2
Total	182.6	196.9	182.5	196.0
CURRENT LIABILITIES	182.6	196.9	182.5	196.1
7.3 MAJOR ITEMS IN ACCRUED EXPENSES AND DEFERRED INCOME				
Accrual of salaries, including social insurance costs	16.7	19.8	16.7	19.8
Accrual of employer insurance contributions	0.5	0.5	0.5	0.5
Employees Pensions Act (TyEL) debt	1.4	1.3	1.4	1.3
Accrual of income tax	0.9	0.9	0.9	0.9
Accrual of bank charges and credit card commissions	0.5	0.6	0.5	0.6
Deliveries from abroad	0.4	0.5	0.4	0.5
Invoices to be recognised in next financial period	0.1	0.0	0.1	0.0
Other current accrued expenses and deferred income	0.0	0.1	0.0	0.0
Total	20.7	23.7	20.7	23.6

8 OTHER NOTES

Securities given, contingencies and other liabilities

MEUR	ALKO GROUP		ALKO INC.	
	2021	2020	2021	2020
8.1 LEASING LIABILITIES				
Payable the following year	0.5	0.6	0.5	0.6
Payable later	0.3	0.6	0.3	0.6
Total	0.8	1.2	0.8	1.2
8.2 RENT LIABILITIES				
Payable the following year	14.2	13.7	14.2	13.7
Payable later	0.9	1.6	0.9	1.6
Total	15.1	15.2	15.1	15.2

KEY FIGURES

	ALKO GROUP					ALKO INC.				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Net sales (EUR million)	1,290.4	1,296.8	1,144.1	1,153.7	1,174.8	1,290.3	1,296.7	1,144.0	1,153.6	1,174.8
Operating profit (EUR million)	67.6	65.0	40.7	46.0	53	67.6	64.8	40.1	46.0	52.6
Percentage of net sales (%)	5.2	5.0	3.6	4.0	4.5	5.2	5.0	3.5	4.0	4.5
Profit before appropriations and taxes (EUR million)	69.4	64.0	40.7	46.4	51.6	69.3	63.8	40.0	46.4	51.2
Percentage of net sales (%)	5.4	4.9	3.6	4.0	4.4	5.4	4.9	3.5	4.0	4.4
Return on equity (%)	48.8	48.6	35.0	41.4	50.4	49.6	49.2	34.6	41.8	50.4
Return on investment (%)	60.3	61.2	43.5	51.1	64.2	62.1	62.1	44.0	52.3	65.4
Equity ratio (%)	37.7	36.9	35.7	34.9	31.8	37.5	36.8	35.5	34.8	31.9
Current ratio	1.3	1.3	1.2	1.2	1.2	1.3	1.3	1.2	1.2	1.2
Gross investments in fixed assets (EUR million)	5.7	6.8	8.4	10.5	8.1	5.1	6.1	7.6	10.1	7.9
Percentage of net sales (%)	0.4	0.5	0.7	0.9	0.7	0.4	0.5	0.7	0.9	0.7
Average number of personnel during the financial year	2,472	2,454	2,466	2,452	2,401	2,472	2,454	2,466	2,452	2,401

FORMULAS FOR THE KEY FIGURES

Return on equity (%)	$\frac{(\text{Profit before appropriations and taxes} - \text{income tax on ordinary operations})}{\text{Equity (average*)}} \times 100$
Return on investment (%)	$\frac{(\text{Profit before appropriations and taxes} + \text{financial expenses for current liabilities})}{\text{Balance sheet total (average*)} - \text{non-interest-bearing liabilities (average*)}} \times 100$
Equity ratio (%)	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Current ratio	$\frac{\text{Inventories} + \text{Financial assets}}{\text{Current liabilities}}$

* Average figures have been calculated as averages for the beginning and end of the period.

THE BOARD OF DIRECTORS' PROPOSAL ON THE DISTRIBUTION OF PROFIT

The Board proposes that EUR 631,187.21 be transferred from the other equity fund to the unrestricted equity fund to cover the costs of improving wellbeing at work.

The parent company's distributable funds at 31 December 2021 totalled EUR 91,686,733.92 (EUR 96,280,858.29), of which EUR 55,405,875.63 (EUR 50,906,613.10) is profit for the financial year.

The Board proposes that the company's distributable funds be used as follows:

• distributed as a dividend	EUR 60,000,000.00
• retained under equity	EUR 31,686,733.92
	<hr/>
	EUR 91,686,733.92

No substantial changes have occurred in the company's financial position since the end of the financial year. Alko's liquidity is good and, in the Board's opinion, will not be jeopardised by the proposed distribution of profits.

SIGNATURES TO THE FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS

Helsinki, 16 March 2022
Board of Directors

Harri Sailas
Chair

Markku Tervahauta

Kirsi Paakkari

Pekka Perttula

Laura Raitio

Ulrika Romantschuk

Leena Laitinen
President and CEO

AUDITOR'S REPORT

A report has been given today on the audit carried out.

Helsinki, 16 March 2022

KPMG Oy Ab
Firm of Authorised Public Accountants

Leenakaisa Winberg
Authorised Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board of Alko Inc. has studied the company's financial statements and auditor's report for 2021 and proposes to the 2022 Annual General Meeting that the company's income statement and balance sheet for the 2021 financial year be approved. The Supervisory Board supports the Board of Directors' proposal for disposal of the profits.

Helsinki, 17 March 2022

Arja Juvonen

Hannakaisa Heikkinen

Outi Alanko-Kahiluoto

Kim Berg

Petri Honkonen

Pauli Kiuru

Ari Koponen

Mats Löfström

Aino-Kaisa Pekonen

Tom Packalén

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