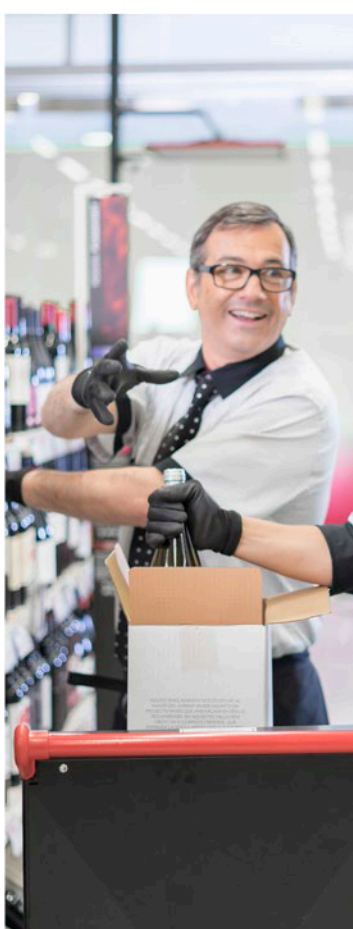
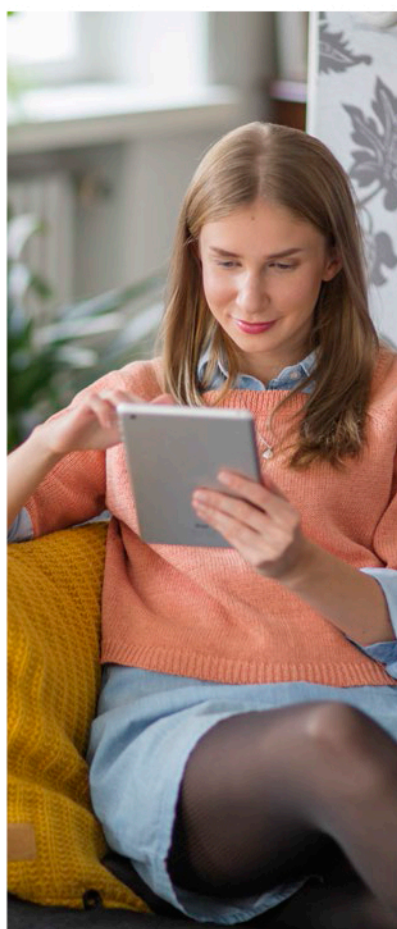




ANNUAL REPORT AND CORPORATE  
SOCIAL RESPONSIBILITY REPORT **2015**





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## About Alko



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## Welcome



### Welcome to Alko's Online Annual Report and Corporate Social Responsibility Report 2015

In this Annual Report and Corporate Social Responsibility Report, we will provide a review of 2015 and our responsible operations. The report is published online in two languages, Finnish and English.

In the 'About Alko' section, you will find information on Alko's strategy and the most important events of 2015. The section 'Alko's Mission' describes both our financial responsibility and our special mission of preventing the harmful effects of alcohol consumption. The 'Customers and Products' section contains information about product sales and enhancing our customer experience. In the 'Personnel' section, we look at themes relating to staff well-being and training. The 'Responsible Supply Chain' section covers our social and environmental responsibility for the products in our supply chain.

Use the 'Download' function to download the entire 2015 Annual Report and Corporate Social Responsibility Report, Financial Statements or Alko's Code of Conduct as a single PDF.

The website also has a search function and GRI index. At the bottom of the page, you will find social media buttons for sharing articles in our report on the web.



## Alko in 2015



### KEY FIGURES 2015



PERSONNEL  
**2415**  
(on average)



NET SALES  
**94.0** million litres



NET SALES  
**1158.9** mill. €



CUSTOMERS  
**57.7** mill.



NET SALES  
**15.8** mill. litres  
in 100% alcohol



NET SALES WITHOUT  
ALCOHOL TAX  
**572.7** mill. €



PROFIT FOR FINANCIAL YEAR **40.2** mill. €



## Alko in brief

Our mission is the retail sale of alcoholic beverages, while considering the harmful effects of such products. Our operations and sole right to engage in the retail sale of beverages containing more than 4.7 per cent alcohol by volume are, above all, based on social and health policy objectives. The Ministry of Social Affairs and Health is responsible for the ownership steering and supervision of Alko in accordance with the special task assigned to the company by law.

Customers visiting our shops are served by 2,415 (average) skilled sales staff. Our product portfolio includes beverages from about 60 countries. Alko's head office is located in Helsinki, and we have ten regional offices across Finland. Alko had 351 shops at the end of 2015. Three new shops were opened during the year, and three were closed.

In 2015, new shops were opened in three locations in Helsinki: Kalasatama, Pikku Huopalahti and Mannerheimintie. Stores were closed in: Pyhtää, Nakkila and Vantaa Helsinki-Vantaa airport.

## Alko in figures

- 2,415 (average) employees
- 351 shops and 95 order points
- 4,944 alcoholic beverages (2,839 in the standard selection, 1,755 in the sale-to-order selection, and 350 in the special selection)
- 161 Finnish suppliers and manufacturers, and 263 foreign suppliers
- 57.7 million customer visits
- Net sales: EUR 1,158.9 million
- Operating profit: EUR 49.7 million
- Equity ratio:
- Wholly owned by the State
- Established: 1932
- President & CEO Hille Korhonen
- Head office: Helsinki



## President and CEO's review



Alko achieved all of its key objectives for 2015. We have now been number one for customer service in the retail trade for the fourth time in a row. Alko's result for 2015 improved despite a fall in sales by volume. Good result was achieved as our average price has risen. We've also been boosting our efficiency and allocating our personnel resources in line with customer flows. In this interview Hille Korhonen, President and CEO describes, how the good result was achieved.

### **Hille Korhonen, how would you describe 2015?**

I'm really happy and proud to say that Alko achieved all of its key objectives for 2015. And, of course, it's our excellent staff who deserve the most thanks for this – everyone has worked really hard to achieve these objectives.

### **And those objectives are?**

We want our customers to think we're the best, and we've now been number one for customer service in the retail trade for the fourth time in a row – and that's something we can be really proud of. We also want to be the best employer, and we've ranked first in the Great Place to Work competition for two consecutive years. These things go hand in hand – inspired and motivated employees provide excellent customer service.

### **What exactly did you do in 2015 to achieve such good results?**

We've been listening to our customers. In 2015, we launched a range of alcohol-free products – a competitive range that you can find in every shop. We've also introduced more products from small producers, and have allocated products to our different types of shops in accordance with customer demand.

### **Alko's result for 2015 improved despite a fall in sales by volume – how's that possible?**

Alko's goal is not to sell more. We're expected to be efficient and to reach our financial targets. The market is downbeat and Finnish consumers are spending less. But when visiting Alko, they're clearly investing in quality, as our average price has risen. We've also been boosting our efficiency. We reduced our margins three years ago and they haven't risen since, even though our cost level has. So we're doing well there. And we've also been allocating our personnel resources in line with customer flows, so that excellent service can be provided at the times when customers visit our shops. So we've been doing a lot of things simultaneously to achieve our objectives.



**What are Alko's current objectives?**

Basically, Alko wants to keep its finger on the pulse. We want to be where our customers live and work, and to keep up with the times. In fact, we're taking the third major step in Alko's history. Many customers no doubt remember the highly controlled Alko shops where products were only sold over the counter. Opening self-service shops was a big step – we learnt customer service, how to engage with customers, and how to provide more information about our products. Our next big step is to become a multi-channel business – we're going online, and introducing a webshop and a variety of digital services.

**And how will this webshop be implemented in practice?**

The webshop will be opened to customers, both consumers and corporate clients alike, sometime this year. Customers will shop on a 'click and collect' principle, that is, they can choose anything from our range 24/7, add it to their shopping basket, choose a shop or collection point, and then collect their order during our shops' opening hours.

Hille Korhonen, President and CEO





## Strategy



### Updated strategic objectives for 2016–2018

The best customer experience, the best work, a responsible player in the community, and an efficient chain of speciality stores are the objectives with which we will achieve our mission. Alko's strategic objectives guide us all.

#### Our strategy is based on four objectives

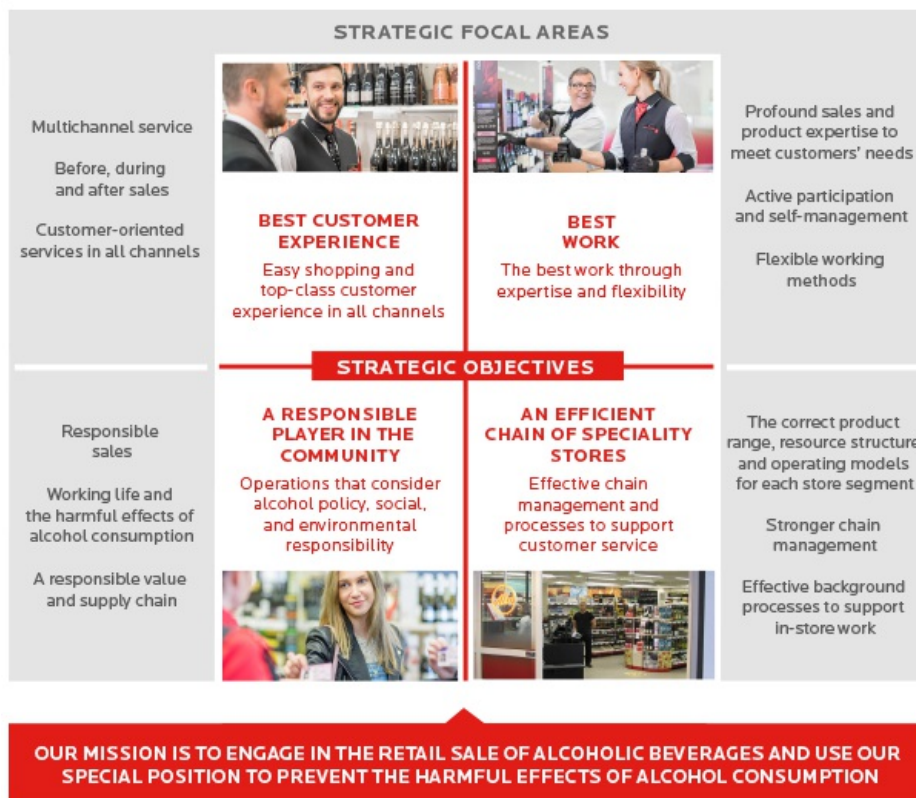
We have succeeded in providing a **top-class customer experience** in our shops.

From now on, we will be providing complementary customer service through our webshop and brick-and-mortar stores – before, during and after sales. Our vision highlights multichannel service, a uniform brand, the role of customer service, and products and services. Easy shopping is important. In order to provide the best in all aspects of the customer experience, we are focusing on the development of our store concept and webshop in particular.

For two years in a row (2014 and 2015), we have achieved our objective of being Great Place to Work Finland's best workplace. Now we're aiming to do the **best work**. Its key elements are having the expertise to meet customers' needs, active involvement, efficiency, and community spirit. These are what we'll be focusing on over the coming years.

Our new strategy highlights our role as a responsible player in the community. Alko's responsibility includes many themes and targets relating to alcohol policy, social responsibility and environmental responsibility. Our communications on these themes have been more active than ever. Efficient and responsible sales work will retain its key position. In 2016, we will be implementing measures to, for example, prevent the **harmful effects of alcohol consumption** and **promote environmental issues**.

In order to boost efficiency, we are further strengthening our chain management and support processes for customer service. In 2016, we will be focusing on areas such as shop segmentation and shop logistics. We will be bolstering our position as a speciality store with the aid of both extensive development projects and minor changes.



## Company-level objectives linked on a personal level

To ensure that each Alko employee's everyday work is guided by our strategy, we have taken our company-level objectives and turned them into key objectives at unit level, and then into targets for every team and shop. Every Alko employee covers personal targets with their supervisor during target and performance discussions. Our strategy incentive scheme creates a concrete connection between **strategy and remuneration**.

## Participatory change communications to mobilise strategy

Alko's updated strategy was presented at our autumn 2015 supervisor forum, which was attended by about 230 supervisors from Alko's shops and head office. Supervisors discussed the core themes for 2016–2018 and gave change management some thought.

At our shop manager forum in January 2016, we discussed our updated strategy and how it would manifest itself in everyday life at Alko shops. Shop managers then covered strategy with their own sales teams at participatory objective workshops. Our new strategy was also presented to head office staff, and discussed at unit and team workshops.

In 2016, we will be involving Alko employees in the mobilisation of our strategy in many ways and through several channels. These include digital ambassadors that will travel all across Finland, an open Yammer group for discussing insights and queries, Skype sessions, videos, and a strategy game project.



## Accomplishments in 2015

### STRATEGIC OBJECTIVE

### 2015 ACCOMPLISHMENTS

#### BEST CUSTOMER EXPERIENCE

- We further improved our in-store customer experience in the National Customer Service Feedback survey (8.45 -> 8.50) and the Customer Experience Index (3.99 -> 4.07)
- We introduced a new customer-oriented product range management model
- A new concept for alcohol-free beverages

#### A RESPONSIBLE PLAYER IN THE COMMUNITY

- Finland's best retail store in terms of reputation and responsibility
- 3.6 million age checks
- The 'En vältää' ('I don't supply') social media campaign reached over 0.8 million Finns
- We created an online training course in the principles of responsible procurement
- We launched an analysis of the environmental impact of our supply chain

#### THE BEST WORK

- A top-class personnel experience: Great Place to Work Finland's best workplace twice in a row; in our personnel survey, the results for the worst-placed teams improved
- We standardised our shift planning practices and strengthened our expertise as an employer
- We established new forms of competence development: guided tastings on Skype, participatory methods, in-store training
- We improved our competence discussions and assessments, and created a multiskill incentive scheme

#### AN EFFICIENT CHAIN OF SPECIALITY STORES

- New reporting tool introduced
- Revamped financial and logistics systems in use
- Enhanced store supply process
- New tools and practices for premises management



"We want to provide a top-class customer experience in all of our channels and during every customer contact."



## Store locations



### Developing Alko's shop network – giving our customers what they want

*During 2015, Alko opened three new shops and relocated 19. At the end of the year, we had 351 shops all across Finland.*

Alko develops its shop network on the basis of its business location strategy. We begin by examining perspectives on customer service, our network's coverage, the local population base, financial profitability, and responsibility. We prudently establish new shops in locations where the population is growing. Our focus is on regional growth centres and the Greater Helsinki Area, without forgetting smaller localities.

Alko seeks to ensure that its services are accessible to everyone, and that shopping is always straightforward and convenient – through all channels and customer contact points.

We always keep our eyes and ears open for interesting new locations. Our website has a list of places in which we are actively seeking new and interesting business premises. We develop our services and store concepts to stay in line with our customers' changing needs. Our goal is to further enhance our customer experience and pave the way for good customer service and an inspirational workplace.

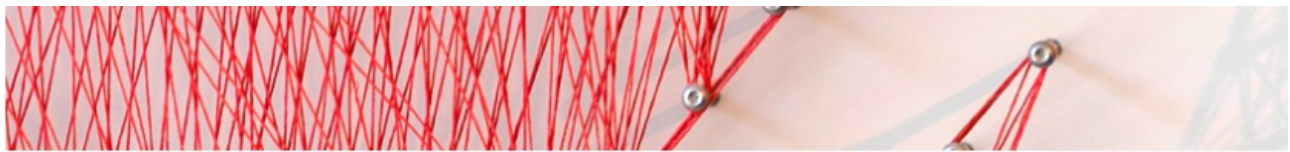
Alko cooperates with all grocery and retail players. At the end of 2015, ownership of the commercial centres in which Alko shops were located was as follows: 26 per cent were owned by S Group, 25 per cent by Kesko, 5 per cent by Lidl, and 2 per cent by Lähikauppa. Alko also has shops in department stores, market halls, and its own premises.

In 2015, Alko opened three new shops and closed the same number. The new shops were all located in Helsinki, in the Kalasatama and Pikku Huopalahti districts and on Mannerheimintie. Stores were closed in Nakkila and Pyhdäs, and at the Helsinki-Vantaa airport. Eight Alko shops were renovated and 19 were relocated.

Alko seeks to locate its shops in each area's best business location, so that customers can enjoy easy and convenient shopping. We consider a number of factors when selecting business premises, including customer needs, location, effective logistics, the safety of customers and personnel, and the location's impact on competition in the daily consumer goods trade. Premises must also fulfil the requirements defined for alcohol sales outlets in the Alcohol Act. We are putting even more effort into creating variety and a lively atmosphere in our shops. We are also updating the look of our shops and ensuring that our premises are well organised. These new-concept shops will be piloted during 2016.



## Report description



Our Corporate Social Responsibility Report follows the recommendation for sustainable development drawn up by the Global Reporting Initiative (GRI, G4), Government Resolutions on State Ownership Policy given in 2011, and the Guidelines for the Reporting of the Country-Specific Taxes of Majority State-Owned Companies issued in 2014.

We have published a report in accordance with the Global Reporting Initiative (GRI) guidelines on a yearly basis since 2004. The report complies with GRI G4 guidelines and covers the key areas of not only social, economic and environmental responsibility, but also alcohol policy. We apply the Core guidelines of GRI G4. The report includes the General Standard Disclosures specified in the guidelines as well as certain Specific Standard Disclosures. A comparison of the contents of the report with the GRI G4 guidelines is presented in the GRI Index. The report is published in Finnish and English, and is only available online. The report has not been externally assured.

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 the personnel data 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 applicable parts of the Finnish Corporate Governance Code were followed for the Corporate Governance section. The financial statements were prepared in compliance with the Finnish Accounting Standards (FAS).

## Material aspects of corporate social responsibility

Material aspects for reporting were defined in 2014 in accordance with the requirements of the GRI G4 reporting guidelines. The responsibility aspects identified on the basis of the stakeholder survey in spring 2014 were assessed and their materiality was determined.

### Definition of report content

Material aspects in reporting were defined in 2014 in accordance with the requirements of the new GRI G4 reporting guidelines. The responsibility aspects identified on the basis of the stakeholder survey in spring 2014 were assessed and their materiality was determined. An aspect boundary was specified for each aspect to depict its material impact in Alko's value chain.

The aspects and aspect boundaries are presented in the table below.

#### MATERIAL ASPECTS

#### ASPECT BOUNDARY

#### Economic

Economic performance

Alko Inc.

Indirect economic impacts

Alko Inc, society

Procurement practices

Alko Inc, goods suppliers

Keeping alcohol trade in Finland (Alko's own aspect)

Alko Inc, society





## Environmental

Materials	Alko Inc, Palpa Inc
Energy	Alko Inc
Effluents and waste	Alko Inc
Products and services	Goods suppliers
Transport	Transport companies
Supplier environmental assessment	Goods suppliers, BSCI high-risk country suppliers
Environmental grievance mechanisms	Customers and personnel

## Social

Employment	Alko Inc
Labour/management relations	Alko Inc
Occupational health and safety	Alko Inc
Training and education	Alko Inc
Diversity and equal opportunity	Alko Inc
Equal remuneration for men and women	Alko Inc
Supplier human rights assessment	BSCI high-risk country suppliers
Labour practices grievance mechanisms	Personnel
Supplier human rights assessment	BSCI high-risk country suppliers
Human rights grievance mechanisms	Personnel, goods suppliers
Preventing the harmful effects of alcohol consumption in society (Alko's own aspect)	Customers and society
Bribery and anti-corruption	Alko Inc
Customer health and safety	Suppliers, customers
Competition restrictions	Alko Inc
Political affection	Alko Inc



Product and service labelling	Alko Oy, goods suppliers
Marketing communications	Alko Oy
Customer privacy	Alko Oy
Compliance	Alko Oy

## Report stakeholders

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

## Reporting period and contact information

This report presents the results of our corporate responsibility efforts in 2015. Our report for 2014 was published in March 2015.

## Additional information

### Alko's Communications Unit

Virpi Valtonen, CSR Expert, [virpi.valtonen@alko.fi](mailto:virpi.valtonen@alko.fi)

Leena Sokolowski, CSR Expert, [leena.sokolowski@alko.fi](mailto:leena.sokolowski@alko.fi)

Maritta Iso-Aho, Executive Vice President, Communications, [maritta.iso-aho@alko.fi](mailto:maritta.iso-aho@alko.fi)



## GRI



### COMPARISON WITH THE GRI GUIDELINES' RECOMMENDATIONS

#### LINK

#### INCLUDED: YES/NO

#### COMMENTS

## Strategy and analysis

<b>G4-1</b>	Statement from the most senior decision-maker of the organisation	<a href="#">President and CEO's review</a>	Yes
<b>G4-2</b>	Key impacts, risks and possibilities	<a href="#">Responsible procurement Stakeholders Internal supervision, risk management and internal auditing</a>	Partly

## Organisational profile

<b>G4-3</b>	Name of the organisation	<a href="#">Alko in 2015</a>	Yes
<b>G4-4</b>	Primary brands, products and services	<a href="#">Alko in 2015</a>	Yes
<b>G4-5</b>	Location of the organisation's headquarters	<a href="#">Alko in 2015</a>	Yes
<b>G4-6</b>	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	<a href="#">Responsible procurement Alko in 2015</a>	Yes
<b>G4-7</b>	Nature of ownership and legal form	<a href="#">Alko in 2015</a>	Yes
<b>G4-8</b>	Markets served	<a href="#">Alko in 2015</a>	Yes



<b>G4-9</b>	Scale of the organisation	Alko in 2015	Yes
<b>G4-10</b>	Total number of employees by employment type, employment contract, and region, broken down by gender	Changes in the number of employees	Yes
<b>G4-11</b>	Percentage of total employees covered by collective bargaining agreements	Collective agreements and cooperation	Yes
<b>G4-12</b>	Supply chain of the organisation	Responsible procurement	Yes
<b>G4-13</b>	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain	Responsible procurement	Yes
<b>G4-14</b>	Whether and how the precautionary approach or principle is addressed	Responsible procurement	Yes
<b>G4-14</b>	Whether and how the precautionary approach or principle is addressed	Responsible procurement Internal supervision, risk management and internal auditing	Yes
<b>G4-15</b>	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Responsible procurement	Partly
<b>G4-16</b>	Memberships of associations and advocacy organisations	Responsible procurement	Partly
Identified material aspects and boundary of corporate responsibility			
<b>G4-17</b>	Entities included in the organisation's consolidated financial statements	Financial statement	Yes
<b>G4-18</b>	Process for defining report content and the aspect boundaries	Report description	Yes
<b>G4-19</b>	Material aspects	Stakeholders Report description	Yes
<b>G4-20</b>	Aspect boundary within the	Report description	Yes



organisation

<b>G4-21</b>	Aspect boundary outside the organisation	Report description	Yes
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<b>G4-22</b>	The effect of any restatements of information provided in previous reports	Report description	Yes
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<b>G4-23</b>	Significant changes from previous reporting periods in the scope and aspect boundaries	Report description	Yes
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## Stakeholder engagement

<b>G4-24</b>	Stakeholder groups engaged by the organisation	Stakeholders Responsible procurement	Yes
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<b>G4-25</b>	Basis for identification and selection of stakeholders with whom to engage	Stakeholders	Yes
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<b>G4-26</b>	Approach to stakeholder engagement	Stakeholders	Yes
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<b>G4-27</b>	Key topics and concerns that have been raised through stakeholder engagement	Responsible procurement	Yes
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## Report profile

<b>G4-28</b>	Reporting period	Report description	Yes
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<b>G4-29</b>	Date of most recent previous report	Report description	Yes
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<b>G4-30</b>	Reporting cycle	Report description	Yes
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<b>G4-31</b>	Contact point for questions regarding the report or its contents	Contact information	Yes
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<b>G4-32</b>	The 'in accordance' option the organisation has chosen	GRI	Yes
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<b>G4-33</b>	Policy and current practice with regard to seeking external assurance for the report	Report description	The report has not been assured
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## Governance





## Governance structure and composition

<b>G4-34</b>	Governance structure of the organisation, including committees of the highest governance body	Committees board of directors Alko Inc 's corporate covernance	Yes	
<b>G4-35</b>	Process for delegating authority for sustainability topics	G4	Partly	The company's special position as a monopoly, its duties related to alcohol policy and the importance of corporate social responsibility issues are taken into account in the composition of the Board of Directors.
<b>G4-36</b>	Executive-level positions with responsibility for sustainability topics	Responsibility management	Yes	
<b>G4-37</b>	Processes for consultation between stakeholders and the highest governance body	Stakeholders	Partly	
<b>G4-38</b>	Composition of the highest governance body	Board of directors	Yes	
<b>G4-39</b>	Position of the Chairman of the Board	Board of directors	Yes	
<b>G4-40</b>	Selection processes for the highest governance body	Board of directors G4	Yes	
<b>G4-41</b>	Processes in place to avoid conflicts of interest	Board of directors Alko Inc 's corporate covernance	Partly	

## Highest governance body's role in setting the purpose, values and strategy of the organisation

<b>G4-42</b>	Highest governance body's role in setting purpose, values, and strategy	Responsibility management	Partly	
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## Evaluation of the knowledge and performance of the highest governance body

<b>G4-43</b>	Highest governance body's collective	G4	Partly	
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knowledge

<b>G4-44</b>	Evaluation of the highest governance body's performance	<b>G4</b>	Partly
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#### Role of the highest governance body in risk management

<b>G4-45</b>	Role of the highest governance body in the identification and management of risks	<b>Internal supervision, risk management and internal auditing</b>	Partly
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<b>G4-46</b>	Role of the highest governance body in reviewing risk management processes	<b>Internal supervision, risk management and internal auditing</b>	Partly
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<b>G4-47</b>	Frequency of risk reviews	<b>Internal supervision, risk management and internal auditing</b>	Partly
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#### Role of the highest governance body in social responsibility reporting

<b>G4-48</b>	Approval of the social responsibility report	<b>G4</b>	Partly
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#### Board's Role in Evaluating Economic, Environmental and Social Performance

<b>G4-49</b>	Process for communicating critical concerns	<b>G4</b>	Partly
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<b>G4-50</b>	Critical concerns communicated to the highest governance body	<b>G4</b>	Partly
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#### Remuneration and Incentives

<b>G4-51</b>	Remuneration policies for the highest governance body and executives	<b>Employee benefits and remuneration</b>	Yes
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<b>G4-52</b>	Process for determining remuneration	<b>Remuneration systems G4</b>	Yes
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<b>G4-53</b>	Process for seeking stakeholder views regarding remuneration	<b>G4</b>	Partly
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<b>G4-54</b>	Ratio of the annual total compensation for the organisation's highest-paid individual to the median	<b>Remuneration systems</b>	Partly
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annual total compensation for all  
employees in each country

<b>G4-55</b>	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual to the median percentage increase in annual total compensation for all employees in each country	Remuneration systems	Partly
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## Ethics and integrity

<b>G4-56</b>	Values, principles, standards and norms of behaviour of the reporting organisation	Responsibility management	Responsibility management	Partly
<b>G4-57</b>	Mechanisms for seeking advice on ethical and lawful behaviour	G4	Partly	
<b>G4-58</b>	Mechanisms for reporting concerns about ethical and lawful behaviour	G4	Partly	

General Standard Disclosure	Comparison with the GRI Guidelines' recommendations	G4	No
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## Disclosures on Management Approach

### Disclosures on Management Approach (DMA)

## Economic performance

<b>G4-EC1</b>	Direct economic value generated and distributed	Financial responsibility	Yes
<b>G4-EC2</b>	Financial implications and other risks and opportunities for the organisation's activities due to climate change	The environmental impact of wine growing	Partly
<b>G4-EC3</b>	Coverage of defined benefit plan obligations	Financial responsibility	Yes
<b>G4-EC4</b>	Financial assistance from government	Financial responsibility	Yes



## Market presence

**G4-EC5** Ratios of standard entry level wage compared to local minimum wage at significant locations of operation **Remuneration systems** Partly

**G4-EC6** Proportion of senior management hired from the local community **Changes in the number of employees** Partly

## Indirect economic impacts

**G4-EC7** Development and impact of infrastructure investments and services supported **Financial responsibility**

**G4-EC8** Significant indirect economic impacts, including the extent of impacts **Financial responsibility**

## Procurement practices

**G4-EC9** Proportion of spending on local suppliers at significant locations of operation **Financial responsibility**

## Materials

**G4-EN1** Materials used by weight or volume **Drinks package recycling Electricity, heating and waste** Partly

**G4-EN2** Percentage of materials used that are recycled input materials **Electricity, heating and waste** Partly

## Energy

**G4-EN3** Energy consumption within the organisation **Electricity, heating and waste** Partly

**G4-EN4** Energy consumption outside of the organisation No Accurate data is not available.

**G4-EN5** Energy intensity No Accurate data is not available.

**G4-EN6** Reduction of energy consumption **Electricity, heating and waste** Partly



**G4-EN7** Reductions in energy requirements of products and services **Electricity, heating and waste** Partly

## Water

**G4-EN8** Total water withdrawal by source No Accurate data is not available.

**G4-EN9** Water sources significantly affected by withdrawal No Not an integral part of Alko's functions, Alko does not own land

**G4-EN10** Total volume of water recycled and reused as a percentage of the total water withdrawal No Not an integral part of Alko's functions, Alko does not own land

## Biodiversity

**G4-EN11** Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas No Not an integral part of Alko's functions, Alko does not own land

**G4-EN12** Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas No Not an integral part of Alko's functions, Alko does not own land

**G4-EN13** Habitats protected or restored No Not an integral part of Alko's functions, Alko does not own land

**G4-EN14** Total number of IUCN Red List species and national conservation list species with habitats in areas affected by the operations of the organisation, by level of extinction risk No Not an integral part of Alko's functions, Alko does not own land

## Emissions

**G4-EN15** Direct greenhouse gas emissions (scope 1) No Alko does not have production.

**G4-EN16** Energy indirect greenhouse gas emissions (scope 2) No Accurate data is not available.





<b>G4- EN17</b>	Other indirect greenhouse gas emissions (scope 3)	Transport	Partly	
<b>G4- EN18</b>	Greenhouse gas emissions intensity		No	Accurate data is not available.
<b>G4- EN19</b>	Reduction of greenhouse gas emissions	Transport		
<b>G4- EN20</b>	Emissions of ozone-depleting substances		No	Accurate data is not available.
<b>G4- EN21</b>	NOx, SOx, and other significant air emissions		No	Accurate data is not available.

## Effluents and waste

<b>G4- EN22</b>	Total water discharge by quality and destination		No	All waste water goes into the municipal sewer system.
<b>G4- EN23</b>	Total weight of waste by type and disposal method	Electricity, heating and waste	Partly	
<b>G4- EN24</b>	Total number and volume of significant spills		No	Alko does not have production.
<b>G4- EN25</b>	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention (Annex I, II, III, and VIII), and percentage of transported waste shipped internationally	Electricity, heating and waste	Partly	Alko does not have production.
<b>G4- EN26</b>	Size, protected status and biodiversity value of water bodies and related habitats significantly affected by discharges of water and run-off		No	Not an integral part of Alko's functions, Alko does not own land

## Products and services

<b>G4- EN27</b>	Extent of impact mitigation of environmental impacts of products and services	Environmental responsibility	Partly	
<b>G4- EN28</b>	Percentage of products sold and their packaging materials that are reclaimed	Drinks package recycling	Partly	



## Compliance

<b>G4-EN29</b>	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Yes	Alko has not been fined or sanctioned on environmental matters
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## Transport

<b>G4-EN30</b>	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Transport	Partly
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## Overall

<b>G4-EN31</b>	Total environmental protection expenditures and investments by type	No	Not an integral part of Alko's functions.
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## Supplier environmental assessment

<b>G4-EN32</b>	Percentage of new suppliers screened using environmental criteria		Partly
<b>G4-EN33</b>	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Environmental responsibility	Partly

## Environmental grievance mechanisms

<b>G4-EN34</b>	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	No	Alko does not have a complaint mechanism.
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## Social responsibility

### Labour practices and decent work



## Employment

<b>G4-LA1</b>	Total number and rates of new employee hires and employee turnover by age group, gender and region	Changes in the number of employees	Yes
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<b>G4-LA2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Employee benefits and remuneration	Yes
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<b>G4-LA3</b>	Return to work and retention rates after parental leave, by gender	Changes in the number of employees	Yes
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## Labour/management relations

<b>G4-LA4</b>	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Collective agreements and cooperation	Yes
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## Occupational health and safety

<b>G4-LA5</b>	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Well-being and safety at work	Yes
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<b>G4-LA6</b>	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Well-being and safety at work	Yes
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<b>G4-LA7</b>	Workers with high incidence or high risk of diseases related to their occupation	Well-being and safety at work	Yes
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<b>G4-LA8</b>	Health and safety topics covered in formal agreements with trade unions	Well-being and safety at work	Yes
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## Training and education

<b>G4-LA9</b>	Average hours of training per year		Yes
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per employee by gender and by  
employee category

Training and  
competence  
development

**G4-LA10** Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

Training and  
competence  
development

Yes

**G4-LA11** Percentage of employees receiving regular performance and career development reviews

Training and  
competence  
development

Yes

## Diversity and equal opportunity

**G4-LA12** Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

Changes in the  
number of  
employees

Yes

## Equal remuneration for women and men

**G4-LA13** Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

Employee benefits  
and remuneration

Yes

## Supplier assessment for labour practices

**G4-LA14** Percentage of new suppliers that were screened using labour practices criteria

Responsible  
procurement

Yes

**G4-LA15** Significant actual and potential negative impacts for labor practices in the supply chain and actions taken

Responsible  
procurement

Partly

## Labour practices grievance mechanisms

**G4-LA16** Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms

Responsible  
procurement

Partly



## Investment

<b>G4-HR1</b>	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Responsible procurement	Partly
<b>G4-HR2</b>	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Responsible procurement	Partly

## Non-discrimination

<b>G4-HR3</b>	Total number of incidents of discrimination and corrective actions taken	Collective agreements and cooperation	Yes
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## Freedom of association and collective bargaining

<b>G4-HR4</b>	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Responsible procurement	Partly
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## Child labour

<b>G4-HR5</b>	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Responsible procurement	Partly
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## Forced or compulsory labour

<b>G4-HR6</b>	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Responsible procurement	Partly
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## Security practices

<b>G4-HR7</b>	Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	No
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## Indigenous rights

<b>G4-HR8</b>	Total number of incidents of violations involving rights of indigenous people and actions taken	No
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## Human rights

<b>G4-HR9</b>	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	Responsible procurement	Partly
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## Supplier human rights assessment

<b>G4-HR10</b>	Percentage of new suppliers that were screened using human rights criteria	Responsible procurement	Partly
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<b>G4-HR11</b>	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Responsible procurement	Partly
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## Human rights grievance mechanisms

<b>G4-HR12</b>	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	No	Alko does not have a complaint mechanism for evaluating human rights impacts in the supply chain.
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## Society

### Local communities

<b>G4-SO1</b>	Percentage of operations with	Responsible	Partly
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implemented local community  
engagement, impact assessments,  
and development programmes

procurement

**G4-S02** Operations with significant actual and potential negative impacts on local communities **Responsible procurement** Partly

## Anti-corruption

**G4-S03** Total number and percentage of operations assessed for risks related to corruption and the significant risks identified **Responsible procurement** Partly

**G4-S04** Communication and training on anti-corruption policies and procedures **Responsible procurement** Partly

**G4-S05** Confirmed incidents of corruption and actions taken Yes No cases of corruption have been detected in Alko

## Public policy

**G4-S06** Total value of political contributions by country and recipient/beneficiary **Financial responsibility** Yes

## Anti-competitive behaviour

**G4-S07** Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes Yes No such violations as indicated by the GRI guidelines

## Compliance

**G4-S08** Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations Yes No such violations as indicated by the GRI guidelines

## Supplier assessment for impacts on society

**G4-S09** Percentage of new suppliers that were screened using criteria for **Financial responsibility** No



impacts on society

<b>G4-SO10</b>	Significant actual and potential negative impacts on society in the supply chain and actions taken	Responsible procurement	Partly
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Grievance mechanisms for impacts on society

<b>G4-SO11</b>	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	No	Alko does not have a complaint mechanism.
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Own Aspect: Preventing the harmful effects of alcohol consumption in society	Preventing the harmful effects of alcohol
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Product responsibility

Customer health and safety

<b>G4-PR1</b>	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Product quality	Partly
<b>G4-PR2</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	Yes	No such violations as indicated by the GRI guidelines

Product and service labelling

<b>G4-PR3</b>	Type of product and service information required by the organisation's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Listing instructions	Partly
<b>G4-PR4</b>	Total number of incidents of non-compliance with regulations and	Yes	No such violations as indicated by the



voluntary codes concerning product  
and service information and labeling,  
by type of outcomes

GRI guidelines

<b>G4-PR5</b>	Results of surveys measuring customer satisfaction	Customer experience	Yes
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## Marketing communications

<b>G4-PR6</b>	Sale of banned or disputed products		Yes	No disputed products in the assortment.
<b>G4-PR7</b>	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		Yes	One case concerning a product placement in one store.

## Customer privacy

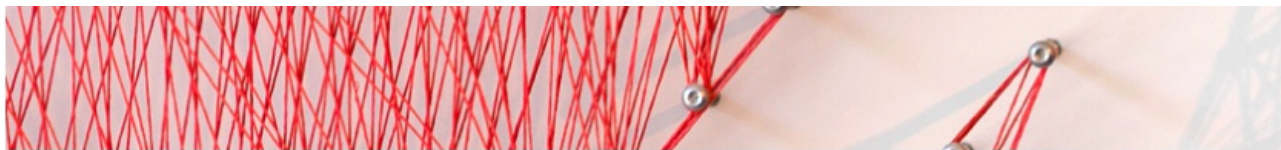
<b>G4-PR8</b>	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		Yes	No such violations as indicated by the GRI guidelines
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## Compliance

<b>G4-PR9</b>	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and service		Yes	No such violations as indicated by the GRI guidelines
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## Contact information



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Alko's annual report and corporate social responsibility report 2015 have been published both in English and Finnish.

### Production

Project management, visual design and production

Zeeland Family  
Ruoholahdenkatu 23  
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### Technical execution

Solita Oy  
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### Photographs

Katja Almgren, SPJL  
Sari Gustafsson  
Aki Havukainen (EMG)  
Jida Liimatainen  
Matti Matikainen  
Olli Mikkonen  
Kalle Parkkinen  
A-klinikkasäätöön arkisto  
Alkon image bank



## Video production

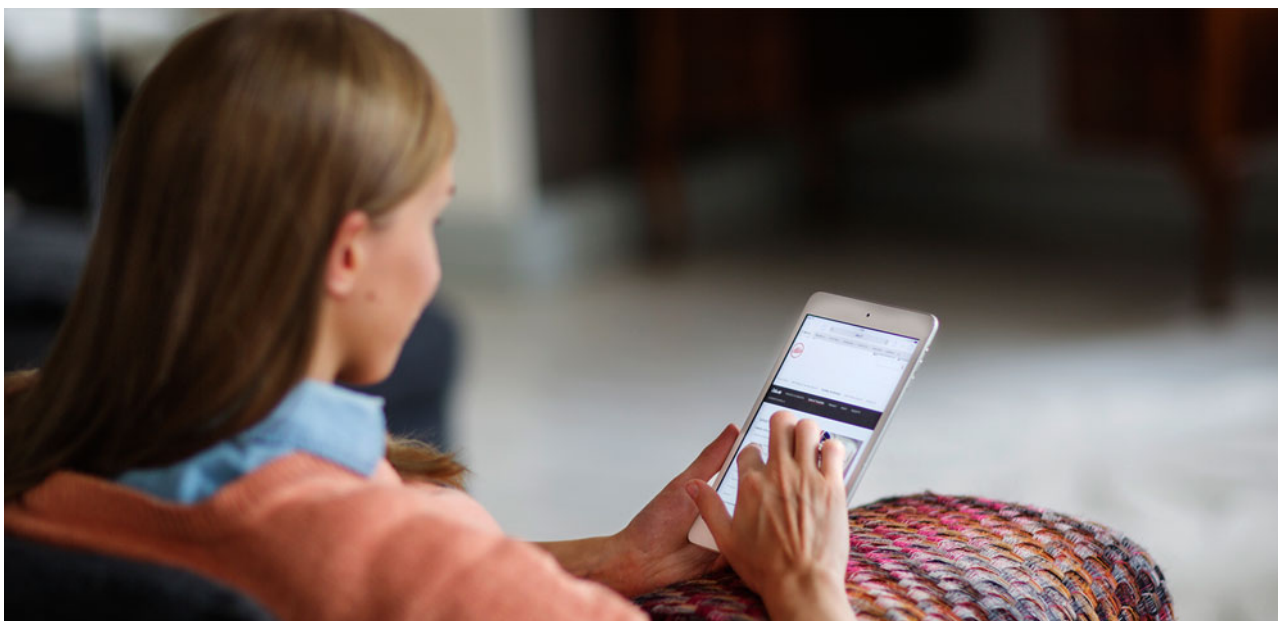
Mainostoimisto SEK and Grey  
GoodMood Innovations Oy  
Otavamedia OMA Oy

## In collaboration

Semantix



## Alko's assignment



### Alko's assignment

Responsibility management

Alcohol policy in a nutshell

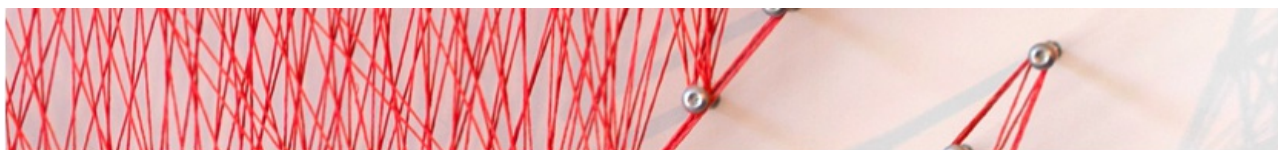
Stakeholders

Preventing the harmful effects of alcohol

Financial responsibility



## Responsibility management



Responsibility is the cornerstone of Alko's operations. In this interview, Maritta Iso-Aho describes how the good results are achieved.

### **Maritta Iso-Aho, how responsible can an alcohol monopoly be?**

Responsibility is the cornerstone of our operations. Alko's special position is just one way in which we reduce both total alcohol consumption and its harmful effects. And two out of three Finns support Alko's position as a monopoly. We also do a lot of work to promote responsible drinking through, for example, food and drink culture, and we've developed a wide range of alcohol-free products whose sales doubled in 2015.

### **And is this a rising trend?**

It's a globally rising trend. We also perform age-limit checks in our shops and, during Alko opening hours, a young person's age is checked every three seconds.

### **How do young people feel about this?**

Young people think it's a good thing. We also run a variety of programmes that seek to influence alcohol use, such as 'In the Company of Children' and 'Working life and the harmful effects of alcohol consumption.'

### **How does the 'In the Company of Children' programme work in practice?**

We try to influence adults' and parents' drinking habits, so that they consider their drinking when children are present.

### **In what way should they consider it?**

For example, that one parent should remain completely sober when children are present. In these programmes, we also cooperate with social and healthcare organisations, and other experts.

### **As we know, we're living in an era of globalisation and the products sold at Alko come from all over the world. How sure can customers be that Alko products are safe and meet standards for responsibility and sustainable development?**

For years now, we've been putting a great deal of effort into establishing a responsible supply chain in collaboration with the other Nordic





alcohol monopolies. For example, our risk-based audits of suppliers, production facilities and even vineyards all across the globe. And these audits are performed by independent third-party auditors.

## In the target countries?

Yes, in the target countries, and the auditors speak the local language.

## How is Alko's environmentally friendly approach visible on a day-to-day basis?

We've made it easier for customers to choose, as our shops carry certified products – over 250 organic products and over 50 ethical trade products – and demand is rising all the time. Over 10 per cent of our wine sales by volume are accounted for by these products.

## And is recycling also a routine part of life at Alko?

A good proportion of beverage packaging, cardboard and plastic is recycled, and plastics are used in, for example, the manufacture of plastic bags. And when we introduced new uniforms, we recycled unused fabric and clothing to make the 'Second Chance' collection, which includes blind tasting bags for wine tastings. I'd also like to thank our customers for valuing our work. Our hard work in this area shows – when it comes to reputation and responsibility, Alko is the best retail shop in Finland. And we're always ready to hear what we could do even better!

Maritta Iso-Aho

Executive Vice President, Communications

One of Alko's four **strategic objectives** is to be a responsible player in the community. In order to achieve this target, we have established a strategic steering group to handle development projects and measures relating to responsibility. The Executive Vice President, Communications and Sustainability, chairs this steering group and reports to the Management Team and Board of Directors on the measures performed and targets achieved.

Any matters concerning alcohol policy responsibility that need to be presented to the Board of Directors are prepared by the Board of Directors' Alcohol Policy Committee. Every year, the Supervisory Board approves an alcohol policy programme that supports our mission in the community. Our responsibility strategy underlines the importance of responsibility in every employee's daily work. Action taken to promote responsibility in everyday work affects the customer experience via its impact on stakeholders. This makes Alko's responsible approach one of its strengths. The leader of each business unit and support function is in charge of operative management, including responsibility issues.

## Alko's responsibility efforts in line with the UN's sustainable development goals

In the autumn, the UN updated its sustainable development goals. Member States' sustainable development goals and agenda seek to end abject poverty and ensure sustainable development across all areas: the economy, human well-being, and the environment.



The UN's 17 goals have a total of 169 sub-goals, nine of which relate to Alko's responsibility strategy:

2. Zero hunger	<p>By 2030, the UN seeks to ensure that food production systems are sustainable, and to introduce agricultural practices that increase productivity and production; help maintain ecosystems; improve land and soil quality; and strengthen our capacity to adapt to climate change, extreme weather phenomena, droughts, flooding, and other natural disasters.</p> <p>Alko's responsible sourcing seek to make greater use of environmental criteria based on, among other things, 2015 and 2016 studies into the environmental impact of primary production and the supply chain.</p>
3. Good health and well-being	<p>By 2030, the UN seeks to strengthen the prevention of substance abuse and the treatment of addiction. This includes both narcotic drug abuse and the harmful use of alcohol.</p> <p>The cornerstone of Alko's responsibility efforts will continue to be responsible sales and reducing the harmful effects of alcohol consumption through both our own and cooperation programmes, including experimentation with completely new approaches.</p>
6. Clean water and sanitation	<p>By 2030, the UN seeks to improve water quality by, for example, minimising emissions of hazardous chemicals, halving the proportion of untreated wastewater released into nature, and substantially increasing water recycling and reuse all across the world.</p> <p>Water-related targets will be included in Alko's environmental criteria for 2016.</p>
7. Affordable and clean energy	<p>The UN seeks to double global energy efficiency by 2030.</p> <p>In its shops and offices, Alko adheres to a quality system based on ISO 14001 standards. We accordingly reduce energy consumption and increase our collection of data on, for example, energy and the environment.</p>
8. Decent work and economic growth	<p>The UN seeks to protect the rights of all workers and promote safe working conditions. This also includes migrant workers – in particular women – and those in precarious employment.</p> <p>Another key aspect of Alko's responsible sourcing is adherence to, and monitoring compliance with, the ethical guidelines issued by the Business Social Compliance Initiative (BSCI), which operates under the Foreign Trade Association (FTA). We also employ a number of methods to strengthen expertise at all steps in our supply chain, and to improve the position and rights of workers.</p>
11. Sustainable cities and	<p>The UN seeks to strengthen efforts to protect the world's cultural and natural heritage.</p>



communities

The ingredients for beverages sold at Alko come from agricultural land, often entire areas, that have been cultivated for centuries. In responsible sourcing, the protection of cultural and natural heritage is logically connected to the environmental criteria we will be drawing up during 2016.

12. Responsible consumption and production

By 2030, the UN seeks to substantially reduce waste generation through prevention, reduction, recycling and reuse.

In Alko shops and offices, we maintain and continually develop our waste management and recycling practices as part of the company's responsibility strategy. In addition, we still have many opportunities to improve the environmental criteria for our auxiliary products and the recycling process we offer to consumers.

14. Life below water

By 2025, the UN seeks to prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities. This also covers marine debris and nutrient pollution. Alko will be including this goal in its forthcoming environmental criteria. We will also be paying attention to the packaging materials we use in all of our operations.

17. Partnerships for the goals

The UN seeks to expand global partnerships in sustainable development, complemented by a variety of different stakeholder partnerships. This will enable everyone to use and share the knowledge, expertise, technology and financial resources that will support the achievement of sustainable development goals in all countries, and in particular developing countries. Alko actively develops its responsibility efforts with other Nordic alcohol monopolies and other members of the BSCI. We will also be engaging in greater cooperation with, for example, associations.

From 2017 onwards, we will be monitoring our progress in as many areas of sustainable development as possible through key indicators and targets for our operations.

## The world is changing and Alko is changing with it

At Alko, we closely monitor developments in responsibility issues and consumption in order to keep pace with the changing requirements of both Finnish society and the rest of the world. We consider it important to monitor both consumer trends and environmental and responsibility trends.

Biodiversity is an environmental trend that has received a great deal of attention in recent years. As the majority of the ingredients for our products are agriculturally grown, it is important for us to understand how changes in their cultivation methods will affect our products, and how agriculture impacts local conditions in primary production areas. Water management is also strongly connected to local environmental conditions. Water purity and, due to climate change, increasingly also sufficiency are being affected, and the needs of both agriculture and communities in the surrounding area must be taken into account.

One of the most important consumer trends is that consumers now expect companies to operate openly and transparently. Through the Internet and, above all, social media, information can now reach consumers in seconds. Consumers have learnt to assume that they can discover the origin of any product they want. If this information is not available, or a company does not want to provide it, consumers immediately begin to doubt the ethicality of the company's operating methods.

Another consumer trend has also arisen through this increased availability of information – the concept of 'guilt-free' consumption. When we decide to buy something, we want to know what conditions it was produced under, and to trust that there are no environmental or ethical problems associated with its production.

A third consumer trend – valuing health and well-being – is strongly connected to Alko's business and social mission. Young adults in particular are continually seeking new and better ways of taking care of their health through diet, exercise and other lifestyle choices.



## Extended reach through cooperation

In addition to customers, personnel and the Government, Alko's stakeholders include a number of players with whom we can cooperate to have a greater impact than we would alone. With regard to responsible sales and reducing the harmful effects of alcohol consumption, our most important partners are the A-Clinic Foundation, Finnish Association for Substance Abuse Prevention (EHTY), and National Institute for Health and Welfare (THL). We engage in continual cooperation with these organisations.

During the year, we also met with representatives of civic organisations, such as Pro Ethical Trade Finland and Fair Trade Finland, in order to strengthen perspectives on social responsibility in our supply chain. A representative from Finnwatch also spoke at our workshops for suppliers in January.

When developing our responsible procurements, we coordinate our operating methods with other Nordic alcohol monopolies and engage in close cooperation with our own suppliers. These two stakeholders are also essential with regard to Alko's environmental efforts. Our own personnel also engage in valuable everyday efforts to protect the environment; and likewise the retail trade players whose stores neighbour ours in commercial properties.



## Responsibility targets



### We achieved our targets for 2015

**Alcohol policy responsibility** involves action to support the implementation of our company's special mandate: the sole right to the retail sales of alcoholic beverages.

Alko prevents the harmful effects of alcohol consumption through its 'Alcohol at various stages of life' programme, which includes the 'In the Company of Children' programme (launched in 2009) and the 'Working life and the harmful effects of alcohol consumption' programme (launched in 2015). The National Institute for Health and Welfare assesses the success of these programmes. As the 'Working life and the harmful effects of alcohol consumption' programme was only launched in 2015, we will have to wait until 2016 for more information on its success.

In 2015, the 'In the Company of Children' programme approached experts in social affairs and healthcare at early childhood education events across Finland. In September, Alko's **'Riskirajoilla'** seminar extensively covered the harmful effects that a user's alcohol consumption has on others. The Fragile Childhood video, which was produced as part of the 'In the Company of Children' programme, received several awards in international competitions. In 2015, THL evaluated the 'In the Company of Children' programme on the basis of, for example, the number of visitors to the programme's website and the positive feedback received.

Since 1999, Alko has been reporting on **checks of age limits, suspected intoxication and suspected handovers** with the aid of a monitoring system installed in cash registers. The number of checks of age limits and suspected handovers increased in 2015, whilst the number of checks of suspected handovers fell slightly. Age-limit supervision is also measured using Mystery Shoppers. Alko achieved the target set for age-limit checks.

2015 saw some very important developments in **responsible procurement**. We introduced the BSCI's updated guidelines on ethical principles (Code of Conduct 2014), which meant that we had to inform our goods suppliers about the changes. As a result of the updated Code, we temporarily suspended our supplier audits until all parties had familiarised themselves with the new principles. We decided to create online training materials to support continual learning, and these were completed on schedule in December. These online materials are available to all interested parties, but Alko's suppliers must complete the training module during 2016. In late 2015, we began preparing for audits based on the new Code on Conduct. For the first time, the audits will now cover not only production facilities but also primary production. These results will be available for examination in the first half of 2016.

Alko and the other Nordic alcohol monopolies worked together to create a standardised Nordic model for monitoring BSCI criteria. In accordance with standard practice, the development and coordination work was carried out in working groups, and the Monitoring Group operates in accordance with a mandate jointly issued by the CEOs of the monopolies. Alko implemented the common auditing strategy according to plan.

During 2015, we focused on developing our own operations and analysing the **environmental impact** of our supply chain. In late summer, a joint Nordic research project was launched to deepen our understanding of the environmental impact of our supply chain through, for example, ingredients, production, packaging, and transportation. In addition to this study, we launched two thesis projects on environmental topics. One compares the different environmental management systems and standards used in wine production, while the other considers which directions Alko's environmental efforts could take in the future. The studies share a common goal: to increase our awareness of the environmental impact of our supply chain and find ways of reducing – and even preventing – them.

During the year, we enhanced our monitoring of energy consumption in shops and performed our first corporate energy review in accordance with the Energy Efficiency Act. We continued with measures to save energy by, for example, installing LED lighting and motion detectors in the non-sales areas of our shops. As part of our commitment to the Baltic Sea Action Group, we collected approximately 80,000 (tarkista!) bags from boxed wine packages to be used as raw materials in the manufacture of cement. Almost 170 internal and 16 external audits were performed at Alko shops during the year as part of our ISO 14001 environmental management system. The audits are a vital part of sharing best practices between shops. They also help us to develop operations at individual



locations.

Our next objective is to find new environmental targets to support Alko's strategy, along with concrete ways of measuring them. In the future, our objectives and activities will increasingly be extending to our products' supply chain. It is important to take environmental perspectives into consideration in all of our operations, and to set ourselves sufficiently challenging goals.

## Consumers continue to view Alko as a responsible company

We measure the success of our responsibility strategy through our ranking in TNS Gallup's Corporate Reputation and Responsibility survey. According to the 2015 survey, Alko's reputation with regards to responsibility has remained more or less unchanged. However, when compared to other companies in the retail, finance and service sectors, Alko fell four spots to ninth place (fifth in 2014). This is no doubt due to our stakeholders' increased expectations, as well as other companies' progress in responsibility issues and the topic's greater visibility in both marketing and consumer communications.

## A new perspective on responsibility

In autumn 2015, Alko examined its responsibility strategy and communications. As a result of this analysis, we will be placing greater emphasis on other strategic elements (in addition to responsible sales) over the coming years.

We want our Finnish consumers to recognise that the Alko quality promise equally and transparently covers a wide range of perspectives – product safety, the social responsibility of the supply chain and environmental friendliness – and supports Alko's position as a trustworthy and expert retailer of alcoholic beverages.

We will achieve this goal by continuing our developmental work in all areas of our responsibility strategy:

- We will shoulder our responsibility and maximise our impact as a buyer by engaging in international cooperation to develop expertise at all steps in our supply chain and responsible procurement process.
- We will actively seek certified products produced with socially responsible and environmentally friendly methods, to help consumers make purchase decisions and increase their trust in us.
- We will continually develop our internal operating methods in alcohol policy responsibility, socially responsible procurements, and environmentally friendly operations.

We will improve the visibility and recognition of Alko's responsibility strategy

- by introducing new operating methods and channels of communication that will continually improve transparency
- by reaching a wide range of stakeholders and keeping them actively informed about all of our various activities and operations.

## All operations founded on ethical guidelines

### Business practices

All of our personnel have received training in Alko's Code of Conduct, which has been approved by the Board of Directors. The Code of Conduct covers the following themes: integrity and legality, business integrity and anti-corruption measures, preventing conflicts of interest, good governance, business relations, a functional working community, confidentiality, and compliance with the Code.

### Compliance programme to steer our business operations

In 2016, Alko will be drawing up a compliance programme to steer our business operations. Compliance means the company's management and personnel are aware of, and adhere to, the company's rules and other norms.

### BSCI Code of Conduct

All Alko goods suppliers are required to endorse the BSCI Code Of Conduct for the supply chain, by signing a commitment of compliance. Based on international agreements and covenants, the Code of Conduct covers the following: the right to freedom of association and



collective bargaining, fair remuneration, occupational health and safety, special protection for young workers, banning bonded labour, ethical business behaviour, banning discrimination, decent working hours, banning child labour, the promotion of steady employment, and environmental protection.

## Rules for cooperation with suppliers

Rules governing interaction between Alko purchasing staff and goods suppliers, and Alko shops and goods suppliers, have been prepared in order to secure fair cooperation with suppliers.





## Alcohol policy in a nutshell



### Two out of three Finns consider Alko a good way to limit the harmful effects of alcohol consumption/Opinions on alcohol policy

Opinions on Finnish alcohol policy have been surveyed for over 30 years.

The restrictions imposed by alcohol policy were considered suitable by 48 per cent of respondents, while 10 per cent wanted to see tighter restrictions and 35 per cent wanted them relaxed.

The survey also seeks people's opinions on whether having an alcohol retail monopoly (Alko) is a good method of limiting the harmful effects of alcohol consumption.

60 per cent of citizens were of the opinion that Alko is a good method, while 32 per cent felt that it isn't. The number of supporters rose by two per cent on the previous year.

The extensive survey also asked where people should be allowed to buy, for example, spirits. Two per cent were of the opinion that spirits should not be available anywhere, while 87 per cent thought they should only be available from Alko. Ten per cent of respondents thought that spirits should also be available in grocery stores.

### Suitable age limits for buying alcohol in Finland

In Finland, the age limit for buying beer and wine is 18. This was considered suitable or too low by 98 per cent of respondents. The age limit for buying spirits is 20. This was considered suitable or too low by 91 per cent of respondents.

The 2016 survey was answered by 1,007 Finns.



## Alcohol policy measures

Research indicates that the most effective methods of reducing the harmful effects of alcohol consumption are:

- increasing the alcohol tax
- restricting alcohol advertising
- retaining an alcohol retail monopoly
- restricting the hours during which alcohol may be sold
- enhancing efforts to prevent drink driving
- enhancing social and healthcare services.

Source: Ministry of Social Affairs and Health

Research source. Suomen Gallup 1/2016. A survey examining the opinions of the Finnish general public on alcohol policy has been conducted annually since 1984. The report does not include any questions about serving alcoholic beverages on licensed premises. This article has excluded all 'I don't know' responses.



"Alcohol policy seeks to prevent the harmful effects of alcohol consumption and reduce the consumption of alcohol."

## Stakeholders



### Extended reach through cooperation

Alko discusses Finnish alcohol policy and the company's position with a wide range of players in the community. For example, we meet with governing political parties, the media, and the central government on an annual basis. These meetings seek to initiate dialogue that will enlightening for all parties. Our stakeholder meetings focus on our strategy, alcohol sales statistics, and Alko's position in Finnish society. In our dealings with stakeholders – as in all of our operations – we take note of our responsible role as a state-owned company with a special mandate.

Alko's stakeholders include a number of players with whom we can cooperate to have a greater impact than we would alone. These include healthcare and civic organisations. When developing our responsible procurements, we coordinate our operating methods with other Nordic alcohol monopolies and engage in close cooperation with our own goods suppliers. Alko personnel also engage in valuable cooperation with stakeholders on a daily basis, as do other retail companies that operate in neighbouring premises within a property.

The media is very interested in Alko. In 2015, the Finnish media wrote over 3,000 articles about Alko. The media is satisfied with Alko's operating methods, as we received the best scores (in the retail trade) in Taloustutkimus' Corporate Communications survey.

### Developing our corporate social responsibility with stakeholders

The following have been defined as Alko's most important stakeholders:

- personnel
- consumers
- goods suppliers
- political steering
- the media

In our 2014 stakeholder survey, we asked our stakeholders' opinions on areas for development in Alko's responsibility. No new corporate responsibility themes arose during interaction with stakeholders in 2015.



Integral responsibility themes for Alko:

- responsibility in procurement (including social and environmental responsibility)
- sales supervision
- expert customer service
- employee well-being
- openness and transparency.

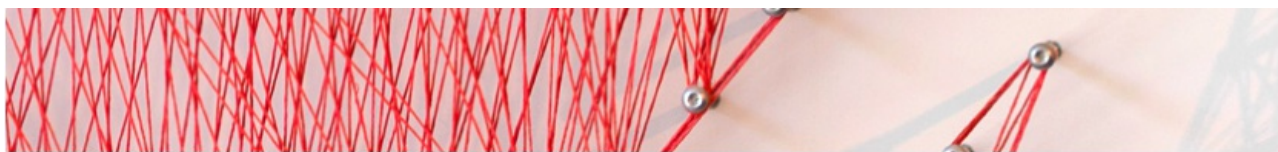
The numerous studies that we commission each year also shed light on stakeholder expectations. One of our major sources of feedback on responsibility is TNS Gallup's survey on corporate reputation and responsibility.



"Alko's stakeholders include a number of players with whom we can cooperate to have a greater impact than we would alone."



## Preventing the harmful effects of alcohol



*Alcohol policy seeks to prevent the harmful effects of alcohol consumption and to reduce the consumption of alcohol.*

### A responsible player in the community

#### STRONG AND CONTINUAL COMMUNICATIONS ON ALCOHOL POLICY RESPONSIBILITY

##### CONSUMERS

- Equal availability (location, number and opening hours of shops) at the same price
- Alcohol-free and low-alcohol products, small package sizes
- Responsible customer service: sales supervision, purchase ban agreements, product displays
- Communications on alcohol and health
- No sales promotion
- Promoting food and drink culture

##### SOCIETY

###### Alcohol at different stages of life

- 'In the Company of Children' programme
- 'Working life and the harmful effects of alcohol consumption' programme

###### Other cooperation projects

- VALO: Sinettiseura Club of the Year (youth), Sports Club of the Year (adults)
- Junior Chamber International, Helsinki: Police Officer of the Year
- Youth Academy: Mahis
- PAKKA project (Act on organising alcohol, tobacco, drugs and gambling prevention, 1 Dec. 2015)
- Research, for example, the Drinking Habits Survey

*This figure briefly outlines Alko's alcohol policy measures, which are targeted at both consumers and society as a whole.*

Alko Oy is a state-owned enterprise within the administrative branch of the Ministry of Social Affairs and Health. Alko's mission is to manage the retail sale of alcoholic beverages, which is its statutory sole right.



## Operating environment

### STAKEHOLDER TASK

Parliament	Parliament enacts the laws that govern Alko's operations. When amendments are made to the Alcohol Act, it should be noted that Finland must inform the European Commission of any forthcoming technical amendments to legislation, so that the Commission can send them to other Member States for comments. This notification process takes about 3–6 months. New legislation can only be enacted after this process has been completed.
Ministry of Social Affairs and Health	Is responsible for the ownership steering and supervision of Alko Oy in accordance with the special mandate assigned to the company by law. 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.
Supervisory Board	The Government appoints 12 members to Alko Oy's Supervisory Board for a term of four calendar years at a time. <b>The Supervisory Board's tasks are</b>
Board of Directors	<b>The Board of Directors' task</b> 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.
Regional State Administrative Agencies (AVIs)	AVIs grant retail permits for alcoholic beverages and supervise retail sales in their area. AVIs are also primarily responsible for supervising the advertising and sales promotion of alcoholic beverages within their areas. Valvira supervises any such advertising that occurs nationally or in more than one AVI area.
The National Supervisory Authority for Welfare and Health (Valvira)	Valvira carries out supervisory, permit-related and steering-related tasks as specified in the Alcohol Act. For example, Valvira supervises Alko's operations and ensures that the state alcohol company treats all producers of alcoholic beverages in an equal and unbiased manner. Valvira makes an annual report to the European Commission on the activities of Finland's alcohol retail monopoly.
Customs	The taxes on alcohol and alcoholic beverages are harmonised excise taxes that have been standardised within the EU by way of a directive. Finland also imposes a national tax on beverage packaging. Customs is responsible for administering excise taxes. Customs also supervises private imports of alcohol and online trade.

## Consumption of alcoholic beverages leads to a variety of problems

The consumption of alcoholic beverages causes a variety of problems, both for individuals and society as a whole. This is why alcohol consumption is regulated in one way or another all over the world.

Many countries have sought to prevent alcohol-related problems via social measures, that is, with the aid of alcohol policy. Generally speaking, alcohol policy means measures undertaken by the public authorities to either directly tackle alcohol-related issues or influence alcohol consumption – how much, in what way, and in what kind of environment.





Restrictive alcohol policy seeks to strictly limit the availability of alcohol with the aid of legislation, keep prices high through taxation, and prevent problem use by, for example, making driving whilst intoxicated a criminal offence.

It is not usually possible for alcohol policy to have a direct impact on how individual people use alcohol. Restrictions targeted at individuals mainly involve the age limits set for retail or on-trade sales, and forbidding the sale or serving of alcoholic beverages to anyone who is intoxicated. However, alcohol policy restrictions are mainly targeted at the population as a whole, as they regulate how alcoholic beverages may be produced and sold. For example, with the aid of legislation, the number of alcoholic beverage retail points can be kept much lower than in a free market. The opening hours of establishments engaging in retail or on-trade sales of alcoholic beverages are also regulated. Using taxation to control the price ratio of beers, wines and spirits is another way in which alcohol policy seeks to influence consumers' drinking habits.

There are a wide variety of alcohol policy measures available, and their effectiveness is discussed from time to time. Generally speaking, restricting the availability of alcohol reduces both consumption and the harmful effects of consumption. This has been convincingly proved by many studies. The high price of alcohol, along with other restrictions on availability, also influences both heavy and moderate users.

Source: Esa Österberg, AddictionLink





## Sales supervision



### Everyone is involved in sales supervision

Sales supervision is one of the cornerstones of Alko's everyday responsibility.

In addition to supervising age limits, we make sure not to sell alcohol to an intoxicated person or someone behaving in a disruptive manner, or if we suspect that the alcohol will be handed over to a minor or intoxicated person.

Our own, strict instructions are specified in our in-house supervision rules. To help sales staff, these instructions are covered in an internal guide, The Sales Supervision Rules, and also during everyday work as required.

Sales of alcoholic beverages are governed by the Alcohol Act. We employ much stricter supervisory rules than those laid down in the Alcohol Act.

### Induction and development

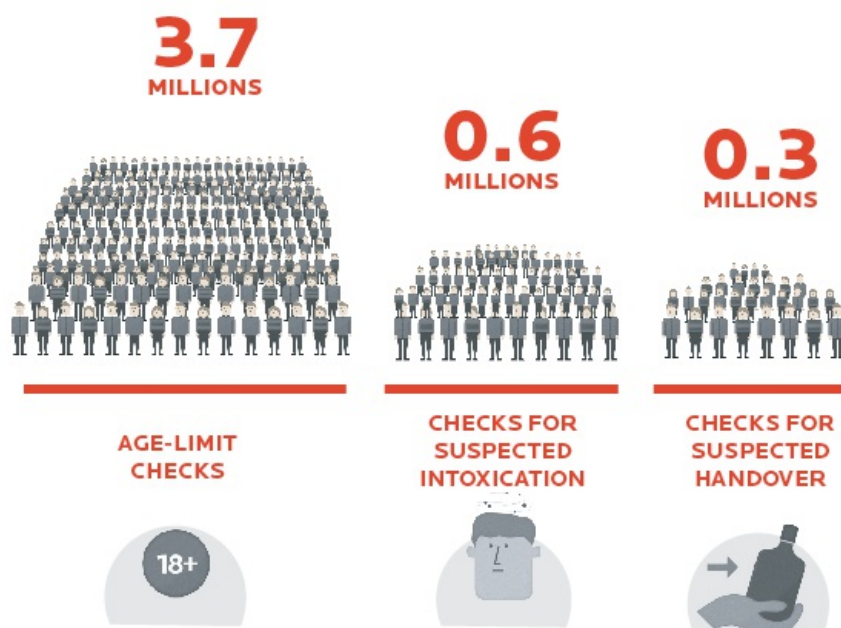
Every new Alko employee receives induction in the supervision of age limits, suspected intoxication, and suspected handovers. After induction, employees take a sales supervision exam in order to receive a sales pass. Performance is monitored, and exam passes are entered into the system. Employees must take the exam and receive their sales pass before doing their first shift at a cash register.

We direct our sales staff to check the age of anyone who appears to be under 25. We have decided to stick with this age, as measurements indicate that the number of age-limit checks performed has remained at a good level.

On-the-job training is the best way to gain competence in sales supervision. The best hints and tips for developing sales supervision are to be had in our shops.



## Measuring success in responsible operations



Alko monitors its success in sales supervision as a whole. All checks of age, suspected intoxication and suspected handovers are 'rung up' at the till, and are registered in the system in real time. This information is communicated to all personnel on a monthly basis via the intranet, and everyone can access the open reporting system.

In 2015, we performed over 3.69 million age-limit checks, and checked over 311 thousand cases of suspected handovers and over 634 thousand cases of suspected intoxication.

Our performance in age-limit supervision is also measured using the Mystery Shopping detection method. 860 such visits were made to Alko in 2015. Two visits were made to each shop, and about 150 shops received a third visit. The latter were shops that either have the largest proportion of young customers or had previously experienced challenges in age-limit supervision.

During the Mystery Shopping survey, age-limit checks were performed on 89.7 per cent of customers; 10.3 per cent of customers were not checked.

Alko launched a complete overhaul of its reporting system in 2015, and this includes reporting on sales supervision.



## Age-limit supervision considered important

Customer communications are also used to support age-limit supervision in our shops. We focus our communications on certain times: just before schools close for the summer break and before the new term starts in August. In 2015, our pre-summer age-limit supervision weeks began on 11 May and extended to the end of the month. For the autumn term, we launched our communications on 27 July and continued until 16 August.

"When young people took the initiative and show us their papers, we thanked them with a chewing gum card."

## Immigration also reflected in Alko

The increasing number of immigrants can also be seen in Alko's customer base. Alko's sales supervision rules have been available in a number of different languages for many years. In 2015, we provided additional information for immigrants.

## Age limits

- Those aged 18 or over may buy mild alcoholic beverages containing a maximum of 22% alcohol
- Those aged 20 or over may buy all alcoholic beverages



"On-the-job training is the best way to gain competence in sales supervision. The best hints and tips for developing sales supervision are to be had in our shops."

## Case: 'Riskirajoilla' seminar



### 'Riskirajoilla' seminar attended by a hall full of listeners

On Wednesday 16 September 2015, Alko and the Ministry of Social Affairs and Health held a joint seminar on the harmful effects of alcohol consumption. Over 100 listeners attended the afternoon seminar in Helsinki.

The seminar approached the harmful effects of alcohol consumption from four perspectives:

- Alcohol, me and health
- Alcohol in Finland and abroad
- Alcohol is harmful to others
- Alcohol and working life

Leading experts from both Finland and abroad spoke at the seminar.

### Some highlights from the presentations

#### Is alcohol healthy?

Hannu Alho, Professor of Addiction Medicine, Faculty of Medicine, University of Helsinki

During debate on the harmful and beneficial effects of alcohol, it is often claimed that those who consume low quantities of alcohol (moderate consumption = a maximum of 1 unit per day for women and 1–2 for men) have a lower-than-average risk of dying from coronary and vascular diseases, and in particular coronary artery disease or type two diabetes, compared to those who never drink alcohol. However, there is no evidence to suggest the actual extent of this cause-and-effect relationship. That is, to what extent the lowered risk stems from the protective effects of moderate alcohol use, and to what extent it is about the characteristics of the drinker rather than the beverage.

#### What if you significantly reduced your alcohol consumption or became completely teetotal – what benefits would that bring?

Chief Physician Kaarlo Simojoki, MD, Medical Director, A-Clinic Foundation

The harmful effects of excessive alcohol consumption on individuals and society are indisputable. However, it is important to distinguish between the harmful effects of different drinking habits, as a lot of debate on the topic focuses on alcoholics and forgets about at-risk users. Due to their large number, their alcohol use has a significant impact on national health. Studies conducted in recent years indicate that reducing alcohol consumption would benefit personal and national health – both financially and socially. Debate in Finland remains highly polarised, with complete decadence at one end and complete abstinence at the other. This has stalled any real debate, and has probably also raised the threshold for people to seek help at an early stage.



## **Alcohol-Related Harm to Close Family Members**

Jim Orford, MA, PhD, School of Psychology, University of Birmingham, England

The experience of being an 'affected family member' (AFM), having a close relative with a problem of alcohol misuse, has a number of key features. They are: a high level of stress, involving both worry and threat; being cut off from information about what is happening; facing difficult dilemmas about how to cope; lacking good quality social support, both informally and from professionals; and being at heightened risk for psychological and physical ill-health. That is the common picture irrespective of the AFM's age and sex and relationship to the misusing relative (wife, husband, mother, father, sibling, grandparent, etc.). The picture varies somewhat by relationship and family culture. AFMs are a disempowered group of people who need help. Interventions include those that help AFMs encourage their relatives to seek treatment, others that work jointly with AFMs and their relatives, and others which provide help for AFMs in their own right. The 5-Step Method, which will be briefly described, is an example of the latter. It is a flexible method that can be used in a variety of settings. A 'train the trainers' model for disseminating the method has been developed in Ireland and is being undertaken in other countries.

## **Perspectives on parenthood from parents who have recovered from substance abuse problems**

Henna Pirskanen, Senior Researcher, Faculty of Social Sciences, University of Jyväskylä

In recent years, research has begun to generate valuable information about the effects that parents' substance abuse problems have on other family members. However, there has not really been any information on how these parents view parenthood after recovering from their substance abuse problems. Recovered parents may have a need to fulfil their parental obligations to the best of their abilities. This presentation focuses on how parents who have recovered from substance abuse problems experience their rediscovered parenthood.

It is based on interviews with recovered parents that were conducted as part of 'Sata Lasissa – Growing up in the Finnish Alcohol Culture', a research project carried out by the National Institute for Health and Welfare (THL). The results indicate that parents can take different positions on parenthood through a variety of dimensions. In the interviews with recovered parents, we identified six different positions: the amateur parent, the experienced parent, the emotional labourer, the daily routine manager, the fighter, and the optimist. The study showed that parents can still take on a responsible role with their children after recovering from substance abuse. Stories about rediscovered parenthood could help alleviate the stigma surrounding parents who have recovered from substance abuse.

## **Get substance abuse under control**

Jan Schugk, Chief Medical Officer, Confederation of Finnish Industries (EK)

Labour market organisations have updated their 2006 recommendations on preventing, handling and managing substance abuse in the workplace. The new recommendations were published in June 2015 with the aim of boosting efforts to '*Get substance abuse under control*'. The recommendations focus on the preventative identification of substance abuse problems, early intervention, and establishing clear, workplace-specific operating models. The recommendations can be used to create or update a workplace-specific anti-substance abuse programme. If the harmful effects of substance abuse are to be prevented and managed in practice, everyday efforts must support an intoxicant-free working culture within the working community, and any cases of substance abuse should be intervened in, rather than being silently accepted, covered-up or downplayed. People must have the courage to address any suspected substance abuse, and any identified cases should be intervened in assertively, with referrals for treatment when necessary. Both employers and supervisors play a key role in issues involving substance abuse, but it is difficult to achieve good results without the support of the entire working community. The new recommendations also emphasise the importance of good cooperation between workplaces and occupational healthcare.





## In the Company of Children programme



### In the Company of Children – tackling a difficult topic

Since 2009, we have been discussing the harmful effects of alcohol on children through our 'In the Company of Children' programme. Our goal is to remind people what adult and parental alcohol use looks like through a child's eyes. The programme also underlines that alcohol consumption by minors should always be viewed in a negative light. Alko's 'In the Company of Children' programme studies this topic, and also develops and creates awareness of new types of activities. Our cooperation partners in the programme include the A-Clinic Foundation, Mannerheim League for Child Welfare, Finnish Parents' League, and National Institute for Health and Welfare (THL). Sekloyal assists us with communications. The programme has an expert team that includes both partner organisations and representatives from the Ministry of Social Affairs and Health.

#### Alko's 'In the Company of Children' communications

Alko used a variety of channels to inform people about 'In the Company of Children': the Internet, the 2015 Early Childhood Education fair, and printed materials. The harmful effects that children and loved ones experience were also showcased at Alko's 'Riskirajoilla' seminar.

As part of the programme, Alko also maintains the 'In the Company of Children' website ([www.lastenseurassa.fi](http://www.lastenseurassa.fi)). This website attracted a total of 4,158 visitors in 2015, of which over 80 per cent were new. Visitors spent an average of about 2.20 minutes looking at the site's content. On 31 December 2015, the site's Facebook page had a total of almost 7,000 likes.

Early childhood educators were made aware of the 'In the Company of Children' programme. The programme's published materials were distributed at eight early childhood education events across Finland. Early childhood educators went away with over 5,000 free bags of 'In the Company of Children' materials. Over 860 bags were given out at the largest event in Tampere.



## Partners' activities in the 'In the Company of Children' programme

### A-Clinic Foundation

'The Orphanage' continued to be shown. This short video was produced by the A-Clinic Foundation's Fragile Childhood Project as part of the 'In the Company of Children' programme. It was released on 30 September 2014 and, by 31 December 2015, had been watched on YouTube about 763 thousand times in English and about 76,000 times in Finnish. A Swedish-language version is also available.

In autumn 2015, the Fragile Childhood Project announced a campaign in which young Finns were asked what they would like to say to their parents about parental alcohol use. The 'From Youth to Parents' campaign was run as part of Alko's 'In the Company of Children' programme.

The A-Clinic Foundation and Alko worked with a production company to prepare a theatrical performance called 'Fragile Särkyvää'. The Fragile Childhood Project coordinated the 'Fragile Särkyvää' tour.

### Finnish Parents' League

The Finnish Parents' League created awareness of 'In the Company of Children' themes at, for example, the Finnish Association for Substance Abuse Prevention's (EHYT) Anti-substance Abuse Days. The harmful effects of alcohol consumption were handled at educational evenings in schools.

The National Institute for Health and Welfare (THL) and Mannerheim League for Child Welfare were part of the 2015 expert team and provided information for the project to use.

### 'Sata lasissa' – Growing up in the Finnish alcohol culture

As part of the 'In the Company of Children' programme, Alko has been supporting a research project that is studying alcohol consumption habits across the generations. The project is targeting both families affected by drinking problems and those in which adults drink in moderation. The aim is to study the circumstances of the children involved and how well they cope.

In 2015, the 'Sata lasissa' project's themes were examined at, for example, EHYT's Anti-substance Abuse Days. 'Siellä sitten käyttäytyään' (a film produced through a sub-project) was screened, and research carried out for the project by THL researchers Henna Pirskanen and Jenni Simonen was also presented: 'Alcohol and inter-generational interaction – dialogue about parents' and children's alcohol consumption within families'.





## Sober pregnancy



A sober pregnancy, 9 September 2015

Alko took part in International Fetal Alcohol Spectrum Disorders (FASD) Awareness Day on Wednesday 9 September 2015.

On the ninth of the ninth, we opened our stores at 9:09 to demonstrate the importance of a sober pregnancy. That date and time have become an established symbol of FASD Awareness Day all across the world.

The developmental disorders caused by alcohol consumption during pregnancy are completely avoidable. It is therefore worthwhile abstaining from alcohol completely during pregnancy, as the safe limits are not known.

We told our customers about FASD Awareness Day online and provided links to our partner's website – the Finnish Association on Intellectual and Developmental Disabilities – where they could read more about the topic. We also displayed posters outside our shops.

Our communications on FASD were well received and we hope to create further awareness through future campaigns.

## Case: From Youth to Parents' campaign



### Displays of affection and naked truths Minna Ilva

In November 2015, the A-Clinic Foundation's Fragile Childhood Project asked young Finns what they would like to say to their parents about parental alcohol use. The 'From Youth to Parents' campaign was run as part of Alko's 'In the Company of Children' programme.



Young people got the chance to tell truths, share secrets, give advice, or voice their love for their parents. In the first phase of the radio campaign, the fragile voice of a young girl can be heard asking an adult sitting in the morning rush-hour: "Have you ever thought what your drinking feels like to me?" With the aid of these radio spots, we managed to gather almost a hundred messages from young people to their own, or all Finnish, parents through the [lasinenlapsuus.fi](http://lasinenlapsuus.fi) (Fragile Childhood) service.

These messages from all around Finland were recorded as radio spots at the Radio Helsinki studio by young people from Helsingin yhteislyseo, a school in Helsinki. During the second phase of the campaign, from Christmas onwards, these messages were broadcast to listeners. Between programmes, excerpts from young people's writings on the topic were read aloud. People working for the Fragile Childhood Project also appeared as guests on the afternoon show.

What, then, did young people want to say to their parents? The messages covered the same themes as previous surveys on the effects of parental drinking on young people: Fear, shame and anxiety were the most common harmful effects caused by adults' alcohol use.

The following message from *Outi* (a pseudonym), effectively describes both these feelings and the need to keep things a secret.

*I was afraid of weekends. I was afraid to come home. I was afraid to go to bed. A home broken by alcohol. You and your friends, talking and laughing. About half past midnight, the door slams and it's quiet. After four, it slams again. Mum, you often come home alone, even though you and Dad leave together. That leads to more sleepless nights. Fighting, shouting, violence. Crying, fear, helplessness. Fear. Fear. Shame. Broken furniture. On Monday you're both quiet and go to work. A cheery greeting to the neighbours. Peace on Earth... or at least, until Friday.*

The feeling of helplessness is very striking in these young people's messages. Likewise the way in which they have been asked to shoulder too much too young – to take on responsibilities that children should not have to worry about. However, in spite of all the unpleasantness they have experienced, you can also feel the bottomless love and concern they have for their drinking parents. Although there weren't many messages of praise, a few young people did want to highlight how their parents had given them a sense of security and been good role models with regard to alcohol consumption.



## Annual report and corporate social responsibility report 2015

Alko's assignment > Preventing the harmful effects of alcohol > Case: From Youth to Parents' campaign

*lymyy* (a pseudonym) wrote:

*I want to thank my parents for teaching me how to drink alcohol in the right way, and also telling me what not to do. I admire my mum in particular. She can go without alcohol whenever and doesn't even want to drink. I hope that when I grow up, I'll be a strong and exemplary person just like my mum ♥*

The campaign was run as part of the **In the Company of Children' programme**, which is continuing to create awareness among adults by asking them to consider their alcohol consumption from a child's perspective.

The author, Minna Ilva, works for the A-Clinic Foundation's Fragile Childhood Project, which is a partner to Alko's 'In the Company of Children' programme.

## Working life and the harmful effects of alcohol consumption



### Working life and the harmful effects of alcohol consumption – a personal and social challenge

Alko's 'Working life and the harmful effects of alcohol consumption' programme increases awareness of the topic – in diverse ways.

In 2015, Alko, the A-Clinic Foundation, Finnish Association for Substance Abuse Prevention (EHYT), Finnish Institute of Occupational Health, National Institute for Health and Welfare, and Centre for Occupational Safety launched the 'Working life and the harmful effects of alcohol consumption' programme. KELA also joined at the end of 2015.

The programme was launched on the basis of a substance abuse recommendation published by labour market organisations on 4 June 2015.

In late 2015, the A-Clinic Foundation conducted a survey to analyse how companies and associations were doing with regard to preventing, intervening in and handling the harmful effects of substance abuse, and in referring people for treatment. That is, the purpose of the survey was to discover how to put the recommendation into practice in the workplace. The survey was completed at the end of 2015 and the results will be published in spring 2016.

The Finnish Association for Substance Abuse Prevention (EHYT) will be taking action on the simultaneous use of alcohol and legal prescription and over-the-counter medication. Data collection began in 2015 and the results will be more widely announced in 2016.

In autumn 2015, the Finnish Institute of Occupational Health arranged two two-day training events on how to introduce the organisation's tools at workplaces and occupational healthcare centres. With the aid of these tools, workplaces and occupational healthcare centres will be able to use early intervention methods to prevent and control the harmful effects of alcohol consumption. These training events were attended by management, occupational safety staff, supervisors, employees, and occupational healthcare professionals.





In 2015, Alko launched a project based on the 'Working life and the harmful effects of alcohol consumption' programme. This project will create awareness and update methods for preventing the harmful effects of alcohol consumption. At Alko, people like Sini Heikkinen and Tanja Martin (pictured) are developing new ways of tackling intoxicants in the workplace.

## Alcohol – the most common intoxicant

In Finland, alcohol is the most commonly used intoxicant – it is used to some extent by around nine out of ten adults. The majority of users are largely able to keep their consumption within moderate limits. However, studies indicate that 15–20 per cent of men and 10–15 per cent of women in the working population consume alcohol in large enough quantities to cause social or health problems. This is referred to as heavy consumption. Other sources indicate that 1–5 per cent of the working population are actual alcoholics, that is, have a compulsive need to use alcohol. Source: Taitolaji website.



"The programme seeks to make workplaces aware of existing methods to handle substance abuse, and to generate new information through analyses and research."

## Case: It doesn't pay to tempt sleep with a nightcap



Do you tend to have a relaxing drink, or even two, right after a rough day? And are then tempted to have a nightcap just before bed?

It's worth reconsidering, as alcohol affects sleep quality. Drinking usually disturbs sleep, and there is good reason to avoid drinking just before bed in particular.

Alcohol may help you doze off, but even a couple of drinks will affect sleep quality. If you find yourself pouring a slightly bigger glass, or if nightcaps start to become a habit, you may wake up next morning feeling as if you haven't slept a wink.

### How does alcohol affect sleep quality?

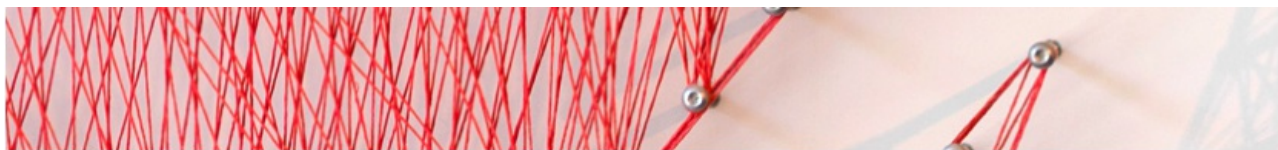
Even a couple of drinks will disturb your normal sleep rhythms. The closer to bedtime you drink, the clearer the effect will be. The first phase of sleep, REM sleep, will be disturbed. Likewise your deep sleep phase, which is when your body and mind recover. As the alcohol is removed from your system as you sleep, you may feel restless and will be more likely to wake up during the night. Many people have noticed that, after drinking alcohol, they wake up only a few hours after dozing off.

Variations in sleep quality are a normal part of your nocturnal rhythm, but alcohol often messes up this rhythm and you can wake up feeling completely exhausted. You should also remember that alcohol is a liquid and, furthermore, a diuretic. This means you will have a greater need to urinate. The diuretic effect will make you chilly as well. Drinking also increases snoring.

Therefore, it's a good idea to avoid drinking alcohol just before going to bed. It takes about an hour for one alcoholic drink to leave your system, but this of course varies with, for example, weight and gender.



## Joint efforts ensure the best results in preventing the harmful effects of alcohol consumption



Alko is involved, as an expert or otherwise, in primarily national cooperation projects that help prevent the harmful effects of alcohol consumption.

### Partners and measures

#### Youth Academy

The Youth Academy engages in the promotion of well-being for young people. Alko began participating in Youth Academy activities in 2000 and has provided the organisation with financial support, mainly through the Mahis project.

#### Great Mahis Groups in 2015

Youth Academy activities supported by Alko got off to a flying start in 2015 with a total of 84 Mahis Groups, which enable young people to work together on planning and carrying out a variety of interesting and inspiring project activities. The Mahis Groups include young people at a vulnerable stage in life, who benefit from new hobbies and friendships, peer support, and the support of a trained leader to help them develop their life management skills. By achieving common goals through team work, they also acquire the skills they'll need later in life for cooperation, planning, creativity and interaction at work and or when studying.

The Mahis project has arranged a number of activities during the past year, such as evenings for boys at the youth centre, a horse riding project for girls, naturalisation for young people at reception centres, the construction of a moped training track, an empowering photography project, short film making, a documentary about a basketball team, a multi-activity day for pre-school children, and a multicultural cooking club. Numerous trips, camps, clubs and other events have also been organised.

'Paths', a University of Helsinki film, tells people about the problems of habitual alcohol use.

In 2014, we signed a cooperation contract with the University of Helsinki to support education on intoxicants. In 2015, this cooperation resulted in the production of 'Paths' (Polut), a film to create awareness among working people aged 30–45 who have become habitual users of alcohol. For example, the story highlights how alcohol can be linked to everyday life and become a habit. The film also points out things that are left undone due to hangovers, how drinking is underestimated, and the habit of drinking every day, whether there's something to celebrate or not. Its driving theme is people's choices and their impact on life. The film follows the protagonist for a period of twenty years, highlighting the moments when they could have chosen between drinking and staying sober. The story splits into two different paths that cross during the protagonist's lifetime. One path leads towards a more sober and healthier old age, while the other leads towards sickness – although even this can be improved through lifestyle changes. 'Paths' was produced as a collaboration project between Alko and the University of Helsinki's Faculty of Medicine. The film forms part of Alko's 'Working life and the harmful effects of alcohol consumption' programme, which was launched in 2015.

#### Alko supports alcohol research

Alko also supports research and education. The longest-term support has been given to the Finnish Foundation for Alcohol Studies and *Yhteiskuntapolitiikka*, a journal that publishes articles containing, for example, research findings and the latest information on intoxicants.

You can read more about our grants in the [Financial Responsibility](#) section of our Annual Report and Corporate Social Responsibility Report.



## Alko cooperates with Valo



### Alko cooperates with Valo, the Finnish Sports Confederation

*The two grants awarded by Alko – Finland's Best Sports Club and Grow Up to Be an Athlete – are the most appreciated aspect of our cooperation with Valo's clubs.*

Cooperation seeks to promote healthy lifestyles. Alko's 2015 grants were awarded to Helsinki YMCA (Finland's Best Sports Club) and Kajaani Gymnastic (Grow Up to Be an Athlete).

#### Helsinki YMCA was chosen as Finland's Best Sports Club at the Finnish Sports Gala on Tuesday 12 January 2016

With this grant, Alko seeks to support a club that promotes a diverse range of sports and exercise opportunities in its local and neighbouring areas. Top-quality activities are a fundamental criterion for receiving the grant. The club also has to offer a wide range of opportunities for taking part in sports and exercise.

Other criteria include being an active, cooperative club and a bold networker. Clubs must cooperate with, for example, other sports clubs, schools, parents, local municipal authorities, and companies. Innovative new forms of cooperation are an advantage!

#### An equal selection process is assured

Every interested sports organisation proposed one club for the award, and no individual club could apply for the grant. The Valo jury picked six clubs from these proposals. The Alko and Valo jury then chose three finalists from which the eventual winner was selected. The final decision was made by the Valo jury after comments from experts.

The three finalists for Finland's Best Sports Club were announced on 10 December 2015: Helsinki YMCA, Jyväskylän Kenttärheilijat and Sillinjärven Pesis. Helsinki YMCA was chosen as Finland's Best Sports Club 2015 on Tuesday, 12 January 2016.

Alko has been supporting Nuori Suomi since 2003. The organisation is now part of the Finnish Sports Confederation (Valo). Our support is channelled through sports clubs whose activities seek to promote healthy and active lifestyles among young people.

#### Kajaani Gymnastic wins the Grow Up to Be an Athlete grant

Kajaani Gymnastic received the Grow Up to Be an Athlete award at the Kainuu Sports Gala on Friday 22 January 2016 for its successful activities in 2015.

In addition to the recognition and diploma, the club also received a grant of EUR 3,500 from Alko for organising camps. Kajaani Gymnastic has been promoting healthy and intoxicant-free lifestyles among young club athletes and exercise enthusiasts.





## Annual report and corporate social responsibility report 2015

Alko's assignment > Preventing the harmful effects of alcohol > Alko cooperates with Valo

Every year, 268 children and young people exercise at Kajaani Gymnastic, which specialises in competitive aerobics and apparatus gymnastics. The club encourages members to lead healthy lifestyles and get the right amount of exercise, rest and nutrition – all in the right balance.

Cooperation with Alko began back in 2008 with Nuori Suomi, which now belongs to the Finnish Sports Confederation (Valo). The Grow Up to Be an Athlete grant is just one way in which we operate responsibility and further our important mission of preventing the harmful effects of alcohol consumption.

## Police Officer of the Year



Sergeant Reinikainen from the Eastern Finland Police Department was selected Police Officer of the Year 2015. Sergeant Reinikainen is actively involved in youth work and has made himself known to young people both on Facebook and during school visits. Working with young people prevents problems arising later, at a more challenging age.

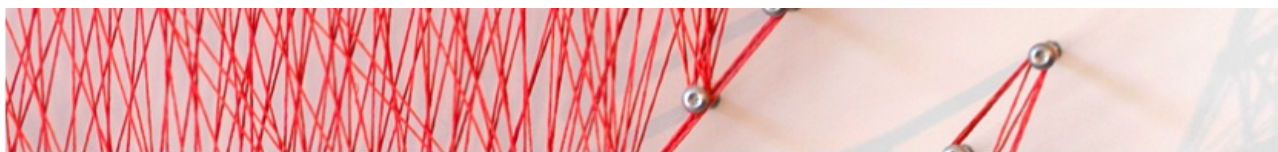
Reinikainen considers it important for the police to be involved in people's everyday lives.  
"People want to see police patrols in traffic, on the streets, and at public events."

Social media contact with young people is part of Reinikainen's daily work. It's a channel that enables him to promote preventative measures.  
"We can only count the number of people who have been reached and helped. This work has meaning for some people at least."

Alko is one of the longest-standing supporters of the Police Officer of the Year. Support for the Police Officer of the Year is allocated through the [Helsinki Junior Chamber International](#).



## Financial responsibility



### Added economic value from Alko's operations for different stakeholder groups in 2015



A sustainable financial performance, which forms the basis of our financial responsibility, can be achieved through responsible values and business practices.

Operational efficiency is a must if we are to achieve a sustainable financial result. We must also take equal account of all stakeholders and engage in open, transparent financial reporting.

Our business principles require us to operate openly and honestly, and in compliance with current legislation, regulations and agreements. The same requirements apply to our business partners. We do not accept bribery or corruption of any kind; we adhere to financially responsible principles. Cash assets are invested to secure invested capital, ensure solvency, and gain returns on low-risk investments.

### Customers EUR 1,159.7 million

We offer our customers safe, premium-quality products and services. In 2015, income from alcoholic beverages totalled EUR 1,151.7 million (EUR 1,172.0 million in 2014).



We provided services and supplies worth EUR 5.4 (7.1) million. This figure includes EUR 307 (514) thousand in income from analyses performed by the [Alcohol Control Laboratory](#).

We offer an extensive network of shops and a wide range of products. Our order service points complete our service network and support trade and industry in sparsely populated areas.

We overhauled our selection management in 2015. Preparations for this began back in 2014. We want to respond better to changing customer demand. Thanks to the overhaul, it is also easier for us to stock local products in our shops.

Other operating income totalled EUR 2.6 (3.1) million and mainly comprised rental income and capital gains from the sale of fixed assets.

## Suppliers of goods and services EUR 962.9million

A commitment to ethical principles is integral to our procurement process, in which we consider indirect impacts in addition to the direct purchase price. We apply the responsible purchasing processes developed by the BSCI organisation to our procurement of alcoholic beverages, and also require our suppliers to adhere to ethical business practices. Ethical trading principles have been included in our general terms and conditions of purchase. When purchasing alcoholic beverages, we follow legislative instructions (Decree on the Operation of the Alcohol Company 243/2000) on the equal and transparent treatment of suppliers. We also publish [a guide on the retail sale and listing of alcoholic beverages](#), in which we describe the product listing process for alcoholic beverages.

The majority of our purchases are alcoholic beverages, and in 2015 we made purchases from the alcoholic beverage industry and wholesale traders to the value of EUR 920.7 million (EUR 926.5 million in 2014). Most of these operators are based in Finland, but we also made purchases of alcoholic beverages from international operators totalling EUR 12.6 million in 2015. Our purchases are made in euros to avoid currency risks.

We purchased other products and services costing EUR 42.1 (47.7) million in 2015.

This category covers items such as IT services and rents:

- We invested EUR 7.9 (7.8) million in IT services and consulting. Software licensing and maintenance support accounted for the majority of our IT costs.
- At the end of 2015, 329 of our 351 shops were located in leased premises, for which we paid EUR 17.2 (17.2) million in rent. Our rental costs were partly reduced by shops relocating to new premises. When relocating, we chose smaller and more compact commercial premises. Due to general economic trends, rent index increases have been moderate.

Through our goods and service suppliers, our purchases also have indirect impacts on external players throughout the supply chain. Although we consider indirect impacts in our ethical trading principles, we have not assessed their monetary value here.

## Personnel EUR 86.2 million

In 2015, salaries and fees paid [to personnel](#) totalled EUR 67.4 million (EUR 68.0 million in 2014). Pension costs totalled EUR 14.5 (15.9) million, and other personnel expenses EUR 3.9 (3.6) million. We employed fewer people in our shops as sales decreased.

We supported our personnel's well-being at work through recreational support, meal benefits, and medical care. Our investment per employee was EUR 2,279 (2,122), totalling EUR 5.4 (5.4) million. We arrange product training at various levels, mainly for our shop staff. Although most sessions were organised on our own premises, we also held training in our internal e-learning environment and over remote connections. We invested a total of EUR 1.6 (1.9) million in training in 2015.

### *Pensions*

In addition to the statutory earnings-related pension scheme, we have a supplementary pension scheme for some Alko employees. Additional pension cover is managed by private pension companies, including the Alko Pension Fund (Division A) supplementary pension. At the end of 2015, the Alko Pension Fund (Division A) supplementary pension covered 325 employees, and the Vistalco supplementary pension covered six employees.



The President & CEO and two members of the Management Team have no supplementary pension scheme, but at the end of 2015, three Management Team members belonged to the supplementary defined-contribution pension fund. The retirement age for the supplementary pension is determined by the Employees Pensions Act (TyEL) and the annual benefit paid is 10 per cent of annual income excluding incentive pay.

One member of the Management Team is covered by the Alko Pension Fund (Division A) supplementary pension, with a retirement age of 61 and a payment equating to 66 per cent of salary.

The retirement age for the Alko Pension Fund (Division A) supplementary pension is from 58 to 63, depending on the person's position and years of service. The pension pays 66 per cent of salary.

In 2015, we paid EUR 2.9 million in supplementary pension insurance payments, which represents 4.3 per cent of the company's total payroll.

## Society EUR 72.8 million

Our business operations accrue **tax revenue** for society. Alko's tax affairs are headed by the Executive Vice President, Finance, who reports on significant tax issues to the Board of Directors and its Auditing Committee. We do not employ tax planning or direct any assets to accounts abroad. We pay taxes on all our earnings and product sales in accordance with Finnish law. Our tax payments are channelled through the state budget to finance general government spending. They are an important source of revenue for the state, for instance in financing social welfare and healthcare services.

The products we sold in 2015 accrued EUR 586.0 million in alcoholic beverage tax (EUR 605.2 million in 2014). Our suppliers pay the majority of the alcoholic beverage tax on products sold by Alko directly to the state. Alko pays alcohol and packaging taxes on those products that pass through our central warehouse. We paid EUR 21.8 (28.9) million in alcohol tax on an accrual basis for alcoholic beverages passing through our central warehouse, plus EUR 0.2 (0.2) million in beverage packaging tax. Alcohol tax accrued for the state in 2015 totalled about EUR 1.4 billion.

We paid EUR 40.5 (49.0) million in VAT and EUR 10.3 (10.5) million in corporate tax.

According to calculations by the National Institute for Health and Welfare, the use of alcohol resulted in approximately EUR 1.4 billion in direct harmful effects to society in 2013.

## Organisations EUR 0.3 million

Alko participates in the **In the Company of Children** programme with the A-Clinic Foundation, the Mannerheim League for Child Welfare, the Finnish Parents' League, and the National Institute for Health and Welfare (THL). In 2015, we also launched the **Working life and the harmful effects of alcohol** consumption programme, in collaboration with the A-Clinic Foundation, Finnish Association for Substance Abuse Prevention (EHYT), KELA, the National Institute for Health and Welfare, Finnish Institute of Occupational Health, and Centre for Occupational Safety. Although this cooperation is based on mutual agreements, KELA, the National Institute for Health and Welfare, and the Centre for Occupational Safety acted as experts without compensation in these programmes in 2015. We paid organisations EUR 137,500 in fees for their contributions in 2015 (EUR 106,000 in 2014). EUR 3,931.44 in grants awarded to the National Institute for Health and Welfare in 2014 became available for use in 2015.

We also engage in cooperation with the **Youth Academy** and the Finnish Sports Confederation (Valo). The sum of contributions against compensation in the case of these organisations totalled EUR 47,600 (102,500\*). Gratuitous contributions made to the Junior Chamber International Helsinki's Policeman of the Year nomination and Valo's grant for young athletes totalled EUR 8,000. Other gratuitous contributions include EUR 2,000 to the charity organisation Veikko ja Lahja Hurstin Laupudentyö ry for a Christmas event for persons of limited means.

We also supported the research activities of the Finnish Foundation for Alcohol Studies with a donation of EUR 67,300, and contributed EUR 15,000 towards the social policy publication 'Yhteiskuntapolitiikka'.



\*) The comparison figures for 2014 also contain cooperation compensation to the University of Helsinki. The collaboration has now ended.

The effects of these grants on full-year profit came to EUR 0.3 (0.6) million.

We did not give any grants or subsidies to political parties.

## The owner EUR 40.0 million

Alko is wholly owned by the Finnish government. We paid our owner a dividend of EUR 40.0 million from our revenue for 2014 (EUR 38.0 million from our revenue for 2013). This dividend was paid in two instalments in 2015: EUR 20.0 million in June and EUR 20.0 million in September. Our dividend for 2015 will be close to that for 2014, in spite of the fact that both total consumption and Alko's sales (in terms of litres) have continued to fall.

Alko does not receive any financial assistance from the state.

## Investments EUR 4.6 million

We invested in the development of our shop network and in strategic projects. In 2015, we invested EUR 2.3 million in developing our shop network (EUR 2.4 million in 2014), opening three new shops and relocating 12. Three shops were closed. A complete makeover was performed in one shop and other renovations were carried out in 25 shops. Investments in shop development remained at the same level as in 2014.

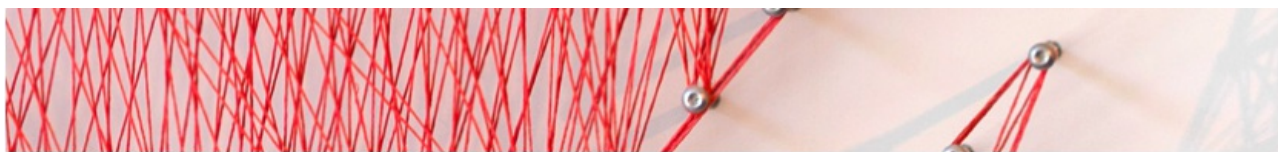
In 2015, Alko continued to develop its operations in a project-oriented direction. Alko made several minor investments in development projects and began to invest in the establishment of its webshop. We invested EUR 0.5 million in the webshop in 2015, and these investments will continue in 2016. We also made investments of EUR 0.5 million in boosting the efficiency of reporting and information use with the aid of new technology, EUR 0.3 million in new concepts for alcohol-free products, and EUR 0.2 million in enhancing shop security. Further investments were made to develop and secure our ICT systems. The most significant of these were our financial and logistics systems (EUR 0.4 million) and our partner network (EUR 0.2 million). Other smaller, one-off investments were made to a total of EUR 0.2 million.



**"A sustainable financial performance, which forms the basis of our financial responsibility, can be achieved through responsible values and business practices."**



## Tax footprint 2015



Alko's tax affairs are headed by the Executive Vice President, Finance, who reports on significant tax issues 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 pays alcohol and packaging taxes on products that pass through its central warehouse. In 2015, we paid EUR 21.8 million in alcohol tax (EUR 28.9 million in 2014) on an accrual basis for beverages passing through our central warehouse, plus EUR 0.2 (0.2) million in packaging tax.

Alko paid EUR 40.5 (49.0) million in VAT and EUR 10.3 (10.5) million in corporate taxes. We paid EUR 15.6 (16.0) million in wage taxes and EUR 1.4 (1.5) million in social security contributions.

The alcohol tax on products sold by Alko totalled EUR 586.0 million in 2015 (EUR 605.2 million in 2014). Goods suppliers pay the largest proportion of these taxes directly to the state. Alcohol tax accrued for the state totalled about EUR 1.4 billion in 2015.



"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."





## Customer service and products



### Customer service and products

Customer experience

Sales of alcoholic beverages

Alko`s broad range of beverages

Product quality





## Customer experience



### Customers want a top-class customer experience

#### And Alko wants to make it happen

In 2015, we conducted surveys to deepen our understanding of our customers' needs, and involved our customers in our development work in a variety of ways.

It is important for every Alko employee to understand how customers experience our service, the kinds of mental associations that Alko creates, and how everyone can have a personal impact on these associations. We create a top-class customer experience when we are genuinely interested in listening to and understanding our customers' needs and expectations, and are then able to satisfy or even exceed them. Our goal is to make our customers feel that their expectations have been exceeded both in our shops and through our digital channels.

### To measure is to know

We conducted two surveys to measure the quality of our customer experience in 2015: the Finland Today national customer service feedback survey (Tilastutkimus) and the Customer Experience survey (Asko) with shop exit interviews (TNS Gallup).

Both surveys indicated that, while people value the service-minded attitude and expertise of Alko sales staff, there is still room for improvement in some of the other factors that influence the customer experience. Regionally, Alko shops in Northern Finland, Southwest Finland and Uusimaa received the best scores.

#### National customer service feedback survey 2015

According to the Finland Today national customer feedback survey, Alko ranked number one for customer experience among retail chains for the fourth year in a row. Alko also improved on its 2014 score (8.45 -> 8.50).

The survey compared Alko not only to retail chains but also to 30 Finnish service companies. In this group, comprising all surveyed companies, Alko had the fourth most satisfied customers.

Customers were most satisfied with Alko's expert service and friendly sales staff, areas in which Alko clearly stood out from other retail chains in a positive way. We received lower ratings for the pleasantness of our premises and customer satisfaction with the price-quality ratio. However, in comparison with other retail chains, we were the best in all factors except the price-quality ratio.

#### Customer experience survey with shop exit interviews

.....  
This PDF may not be as comprehensive as the full Alko Annual and Corporate Social Responsibility report



Alko's customer experience index improved on 2014: 3.99 -> 4.07 (on a scale of 1–5). The best customer experiences in Finland are to be had at Alko shops in Suonenjoki, Pielavesi and Kolari Ylläs Äkäslompolo.

- Good results
  - Customers willing to recommend Alko
    - 83 per cent of our customers said they would definitely, or at least be highly likely to, recommend their regular Alko shop to their friends.
  - All customer experience factors
    - Improved slightly on 2014. Only our product range and sales staff's expertise were scored at the same level as in 2014.
  - Customers who purchased wine and non-alcoholic beverages
    - Had a better customer experience than those who purchased spirits or brewery beverages.
  - Customer experiences in small shops
    - Customer experiences in small shops are better than those in large ones. It is easier for sales staff to give customers their attention, and they are more proactive in offering assistance.
- Still room for improvement
  - Seasonal displays
    - The weakest score, although the greatest improvement was also seen in this factor.
  - First impressions
    - The second weakest factor. The favourable things that customers most commonly mentioned regarding first impressions were a friendly greeting from a salesperson, no long queues, and easy shopping.
  - Ordinary
    - Customers found shops to be clearly laid out, clean and peaceful, but also very ordinary.
  - Young people's willingness to recommend Alko
    - Lower than in other customer groups. However, young people rated Alko's product range more highly than customers in other age brackets.

We organised discussion groups in which our customers could tell us about things such as Alko's future store concept, that is, any wishes they had relating to our premises. In our webshop survey and corporate customer discussion group, we also asked our customers to tell us about their expectations for our forthcoming webshop.

## Developing both the customer experience and service competence played a key role in 2015

We analysed our sales staff's expertise during target and performance reviews. This included an assessment using a 'skill compass' (from the perspectives of sales expertise, product expertise, and a service-minded attitude). Service competence development was included in all service and product training, from monthly training sessions to advanced-level courses. As part of a basic training programme, we also arranged training days that focused on customer service alone. These sessions were attended by those who were either new to Alko or have only been working with us for a short time.

The themes of these customer service days are

- a top-class customer experience
- Alko's service culture
- me as a salesperson
- sharing best practices.

Training for customer service supervisors focused on Alko's strategic targets and how supervisors can personally promote the achievement of these targets through their own efforts.

Areas that customer service supervisors found challenging included motivating their teams and giving feedback, finding peer support, coming up with ideas, and sharing best practices.



## Sales of alcoholic beverages



### Mild wines accounted for over half of our alcoholic beverage sales

Mild wines have held their ground, even though Alko's sales of alcoholic beverages have continued to fall. Mild wines are our largest product category.

We sold a total of 53.9 million litres of mild wines in 2015, which is 2.2 per cent less than in 2014.

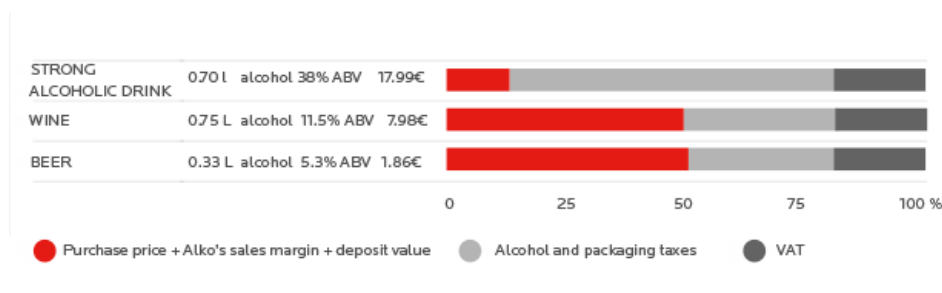
*Reds* accounted for the majority of wine sales (24.9 million litres) and 46 per cent of all mild wines. However, sales of red wines were down by three per cent on 2014. Almost 30 per cent of the red wines we sold were from Chile. The next most popular countries for red wine were Spain, Italy and Australia. Bottled wines retailing at under EUR 10 accounted for about 74 per cent of red wine sales.

Sales of *white wines* fell by 2.6 per cent in 2015. A total of 21.1 million litres of white wine was sold, and whites accounted for about 39 per cent of all mild wines. The most popular whites came from Chile, South Africa, Germany and Italy. Bottled wines retailing at under EUR 10 accounted for about 83.5 per cent of white wine sales.

*Sparkling wines* continued to grow in popularity. Sales increased by 5.2 per cent with total sales of about 5.2 million litres. Almost 36 per cent of the sparkling wines bought from Alko were Spanish. French and Italian sparkling wines also sold well, and good trends were seen in their sales during 2015.

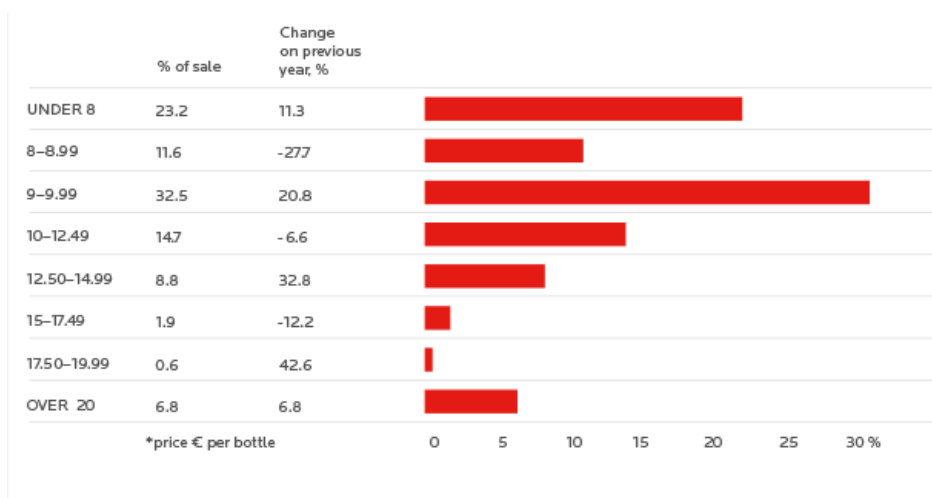
Sales of *rosé wines* rose by 1.2 per cent on 2014. Alko sold about 0.9 million litres of rosé wines in 2015.

### Price formation

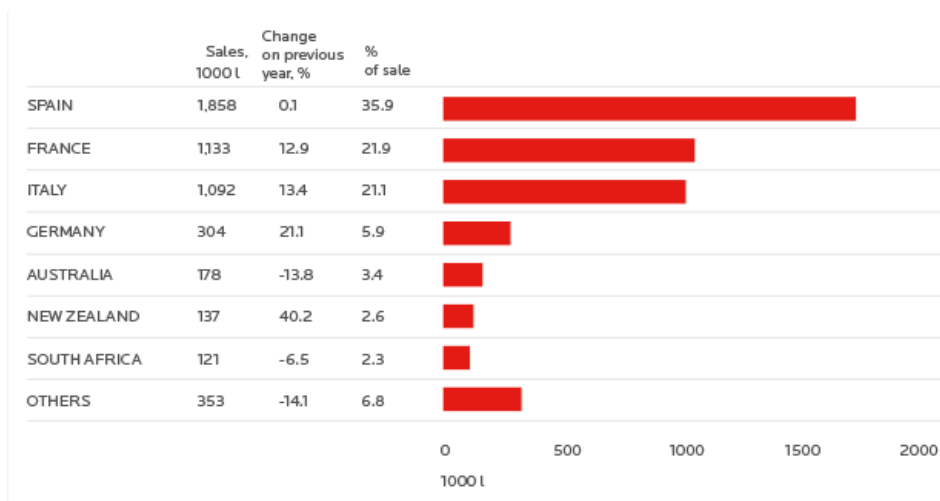




## Sparkling wine sales breakdown by price category

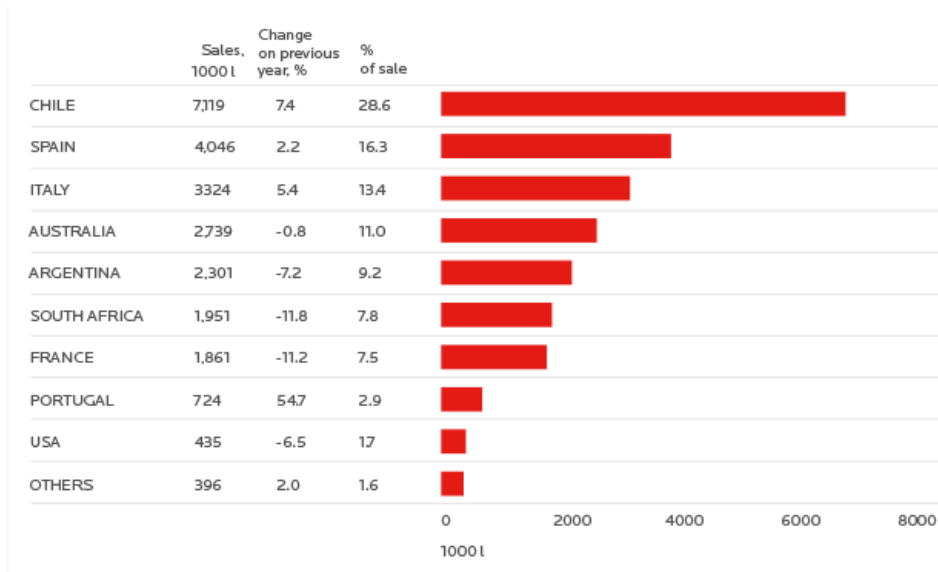


## Sparkling wine sales by country of origin

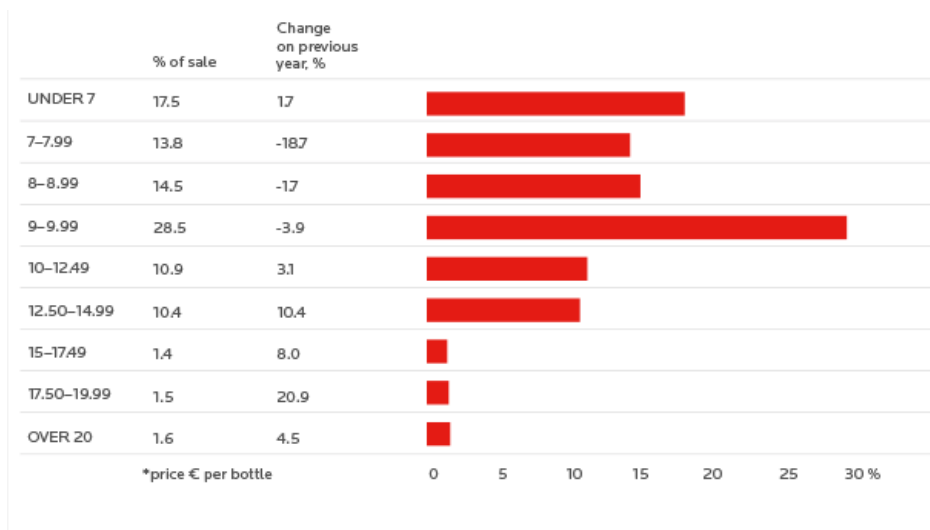




## Red wine sales by country of origin



## Red wine sales breakdown by price category

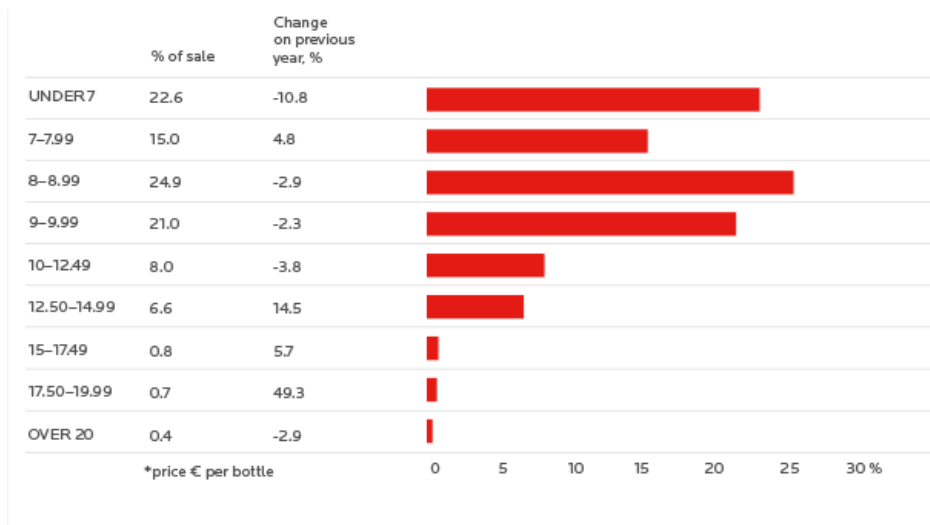




## White wine sales by country of origin

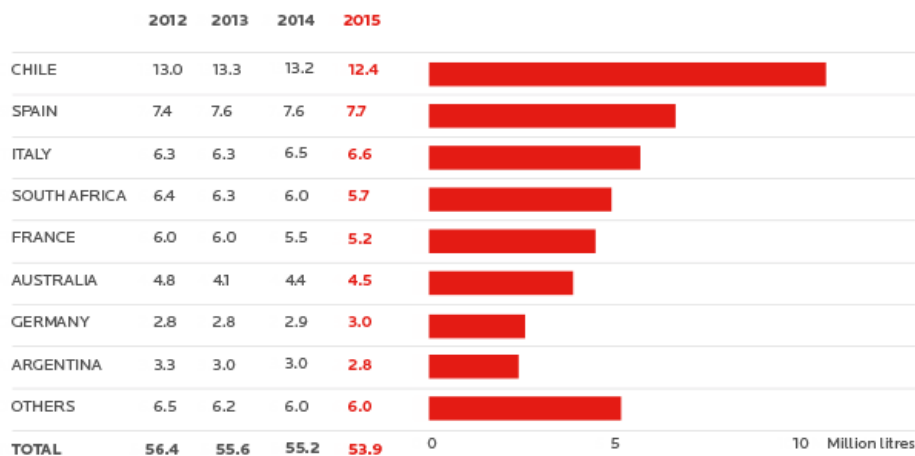


## White wine sales breakdown by price





## Wine sales by country of origin

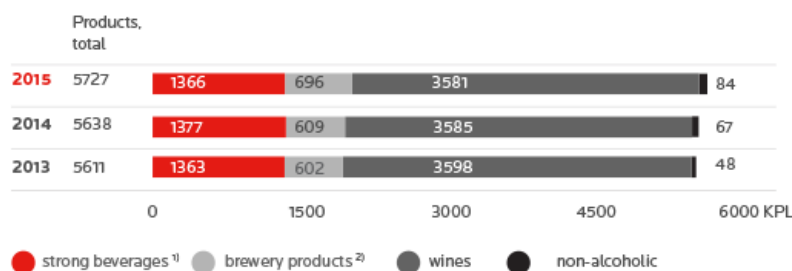


## Growth in flavoured spirits and gin

The downswing in sales of spirits slowed slightly in 2015 compared to previous years. Total sales of spirits fell by 3.5 per cent. In terms of volume, sales of vodkas and clear spirits fell by 3.5 per cent (14.1 million litres) and other spirits by 2.4 per cent (7.6 million litres). Total sales of fortified wines fell by 6.3 per cent to 3.1 million litres.

Flavoured spirits continued to grow in popularity: they experienced sales growth of 9.0 per cent. Gin sales also increased by 6.4 per cent. When it comes to dark spirits, there was a slight upswing in the strongly negative trend that has been seen in the older cognacs, VSOP and XO. Demand for whiskies also increased on 2014. This growth focused on malt whiskies in particular, but an increase was also seen in Irish and American whiskies.

## Sales by product group



1) VODKAS AND UNFLAVOURED SPIRITS, OTHER SPIRITS AND FORTIFIED WINES  
2) BEERS, CIDERS AND LONG DRINKS

THESE FIGURES INCLUDE ALL BOTTLE SIZES AND THE SPECIAL PRODUCTS SOLD AT THE ARKADIA STORE IN HELSINKI.



## Beer trend reflected in sales structures

Ales in particular are becoming increasingly popular, even though overall beer sales fell in terms of litres.

In 2015, Alko sold 8.6 million litres of beer, which was 1.7 per cent less than in the previous year. Beer accounted for about 9 per cent of all sales of alcoholic beverages. Our customers mostly bought lagers and strong lagers, which accounted for about 75 per cent of all beer sales. However, sales of lagers also continued to fall.

On the other hand, the popularity of speciality beers and Finland's developing beer culture can be seen in other segments. One good example is the 26.5 per cent growth in ales. Favourable trends were also seen in other types of beer, such as stouts, porters and speciality beers. However, year-on-year sales of ciders contracted by 10.6 per cent and long drinks by 7.4 per cent.

## Sales of alcohol-free beverages double

In 2015, 362,000 litres of alcohol-free beverages were sold, which was 95.3 per cent more than in the previous year.

Sales of alcohol-free wines doubled. Sales of alcohol-free beers rose by over 200 per cent and mixers by over 40 per cent. We revamped our display of alcohol-free beverages, and developed our range in all shops.

## Organic and ethical trade products continue to grow

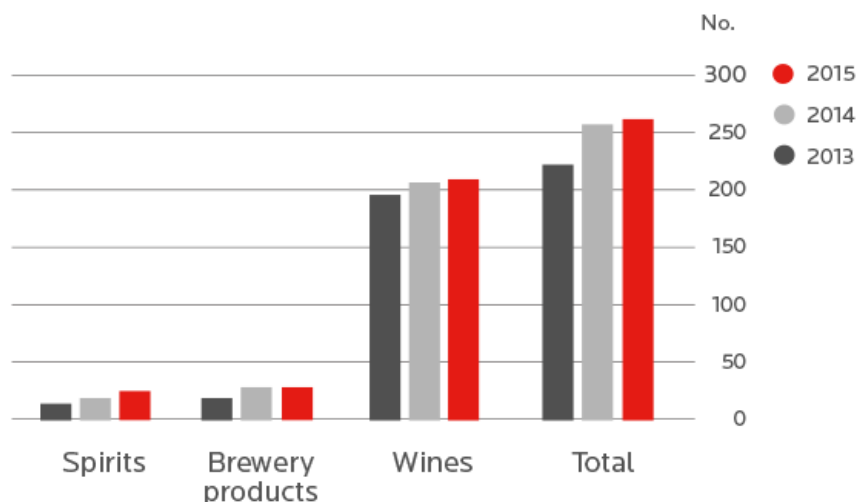
In 2015, 4.7 million litres of organic products were sold (+3.8%). The majority of these were mild wines. Sales of ethical trade products totalled 1.3 million litres (+9.6%).

Alko has been stocking *organic products* since 1994. Organic alcoholic beverages are made from organically cultivated ingredients in accordance with the EU Regulation on Organic Production. The organic products sold at Alko are certified by local organic organisations and authorities.

Alko has been stocking *ethical trade products* since 2007. Ethical trade is based on the principle that farmers and workers should receive fair compensation for their work, which should also be done in appropriate conditions. All of the ethical trade products in our range (such as Fair Trade and Fair for Life) have received product-specific international certificates.

We will continue to develop our range of both organic and ethical trade products.

## Organic products







## The consumption of alcohol

According to the foreknowledge, the total consumption of alcohol per all over 15 year old citizens was 10.8 litres (100%). The overall consumption of alcohol in Finland declined average 3% compared to 2014. The documented consumption of alcohol beverages declined 2.3% and the undocumented consumption 3.3%. Source: The National Institute for Health and Welfare.



"Sales of alcohol-free beverages double."



"In 2015, we could clearly see an interest for products aimed for enthusiasts, and we will continue to expand this product line."



## Case: In-store tastings of alcohol-free beverages



### The best range of alcohol-free beverages in Alko's history

Alko updated its concept for alcohol-free products in May 2015. Products were displayed more prominently in a fresh new way, and the range was developed.

Launches of alcohol-free products were supported with in-store tastings. Over two days, Thursday 28 and Friday 29 May, employees from head office and regional organisations served alcohol-free red, white and sparkling wines in 105 Alko shops. The idea was to present our new 48-product alcohol-free range. Customers were delighted.

"I immediately decided that I wanted to be involved. About half of our laboratory staff took part in the tasting," says Senior Laboratory Technician **Kristiina Lindholm** from Alko.

By developing and prominently displaying its alcohol-free range, Alko was riding the crest of the wave, as the consumption of alcohol-free products is increasing all across the globe.

Customer demand fuelled the overhaul of our alcohol-free range, as sales of alcohol-free products rose by almost 100 per cent in 2015. Alcohol-free products and their growing sales also sparked off extensive media interest across the country.



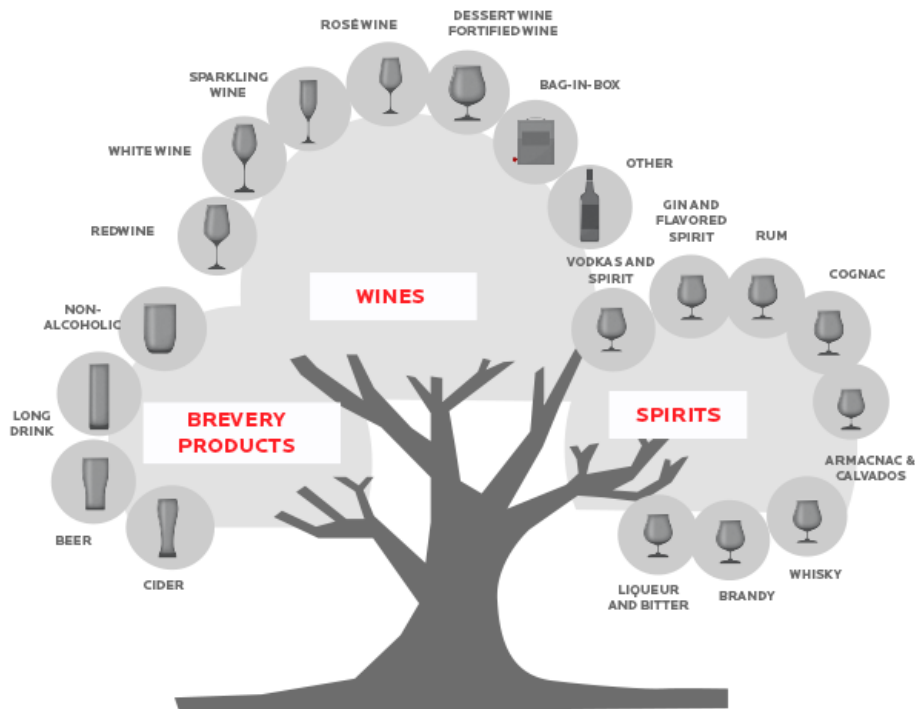
## Alko's broad range of beverages



### Alko's selection is based on systematic planning

*The products in Alko's main selection come from all across the globe. Seasonal products, sale-to-order products and beverages of limited availability supplement the standard selection. Alko's selection meets demand in all seasons with a total of over 4,000 products.*

### Our product range can be thought of as a tree





The three main boughs of this product category tree are brewery products, wines, and spirits. Smaller branches fork out from these three boughs. Offshoots from the Wines bough include red, white, rosé, sparkling and dessert wines, as well as boxed wines and other products. These branches then spread out into even smaller twigs. For example, red wines branch out into different taste styles, such as Luscious & Jammy or Robust & Powerful, which then continue into different price categories.

We refer to these as product segments.

Alko's selection has a total of 222 product segments.

The range carried by each Alko shop is planned in accordance with customer requirements and put together with the aid of the product category tree. Products from different segments are allocated to shops on the basis of demand. Some shops sell more Generous & Toasty white wines, while others sell more stout.

Each shop can also select about a quarter of its range itself. We perform a number of different surveys to ensure that we are developing our selection in line with our customers' needs and wishes – for example, purchasing behaviour and customer satisfaction surveys. Shops and Alko's Customer Service also receive hundreds of product requests every year, and these are put into practice when possible.

## Local products easier to list

Since the beginning of 2015, small producers have been able to deliver their products to their choice of 1–10 Alko shops. Producers decide which products to offer and assign a consumer retail price. At the end of 2015, we had 37 products from 18 small producers. 26 of these were beers, 8 wines, and 3 other products.

This new practice has enabled even very small producers to offer their products through Alko, and for us to stock locally produced products. Small breweries, for example, are grateful for this new category, as they previously had to offer their products throughout the country.

The new small producers selection will develop in accordance with producers' own level of activity. We will guarantee this by stocking small producers' products within a couple of months – sometimes even within one month – from when they are offered to us. In this way, Alko can provide an even more diverse and agile range of local products, as a town's own brewery, distillery or vineyard can offer us seasonal products or special batches in their own locality.

## 1,169 new products listed in 2015

Alko lists products on the basis of systematic planning. In addition to publishing a purchasing plan twice a year, we look for new products through seasonal and other searches.

Our purchasing plan defines strict criteria for potential products. An independent expert panel assesses these products with a sensory evaluation, and the most successful ones are chosen to complement our product range. A wine's taste style is also determined through sensory evaluation. Before we make a final decision to purchase a product, it must also pass our Alcohol Control Laboratory's tests. The laboratory makes sure that products are legal and safe, and also checks other important criteria for consumers, such as sugar content or the concentration of bitters in beer.

During 2015, Alko was offered a total of 8,657 beverages, of which 1,169 products were listed (754 in the standard selection and 415 in the sale-to-order selection).

The main principles that guide purchasing at Alko are transparency and the equal treatment of all tenderers. Producers, importers and agents may offer Alko either their own products or products that they represent, in line with the purchasing plan available on our website.



## Supplier of the Year 2015

Alko has been presenting a Supplier of the Year award since 2010. Moët Hennessy Suomi Oy was chosen as our Supplier of the Year 2015. A total of 28 direct suppliers that met the selection criteria were included in the comparison.



## Case: Second Chance



### Uniforms become the Second Chance collection

Alko sales staff all across Finland received new uniforms on 30 April 2015. The old-style uniforms, dating from 2007, were replaced with a new look designed by Finnish fashion legend Ritva-Liisa Pohjalainen. "Alko's new collection emphasises practicality and serviceability. We've listened very carefully to feedback and opinions from sales staff who used the old uniforms," says Sanna Myllylä, who coordinated the new uniform project.

Old, unused uniforms and fabrics were turned into a variety of auxiliary products, such as blind-tasting bags.

"Alko has long been using recycled materials in products targeted at customers, so it was self-evident that we would try to find a new use for our old uniforms," says Kristiina Lilienkampff, Product Manager for Alko's auxiliary products.

The first products in the Second Chance collection went on sale in Alko shops in September 2015. Christmas-themed gift packages arrived on the shelves in time for the holidays, and a gift bag suitable for graduation parties will go on sale in spring 2016. The collection also includes a twin-compartment bag for two bottles, and several other bags to be sold in shops.

Our Second Chance products were designed by the Finnish company Topper. This same company also manufactured the new uniforms that were introduced in April.

Uniforms that had been worn by staff were recycled during workshops for young people. We also donated old uniforms to UFF, and some were used to make oil spill clean-up mats.



## Product quality



### Product safety and quality

In 2015, we assessed 7,579 new alcoholic beverages that were offered to us. On the basis of these assessments, we introduced 1,218 new beverages into our selection (566 into our standard selection).

Potential new products are primarily tested through sensory evaluation. As yet, no device has been able to beat traditional smell and taste testing, which is why Alko experts play a key role in checking new products.

Not all aspects of quality can be assessed via sensory evaluation, so product quality is also ensured through laboratory analysis.

The Alcohol Control Laboratory (ACL) analyses all products that have been potentially selected for listing. At regular intervals, the laboratory also rechecks listed products.

Listed products are reanalysed when changes have occurred – for example, each new vintage of a particular wine. This continual quality control ensures the safety of our products and the accuracy of their product descriptions. If no changes occur in a product, it will be reanalysed in accordance with our quality control programme, which is based on risk assessment. If deficiencies are found in a product's safety, it will not be approved for sale.

### Quality control through sensory evaluation

Products offered to Alko are first evaluated using smell and taste tests. Before we list a product in our standard selection, we also test its safety and legality through laboratory analysis. We then monitor the quality of listed products and the legality of their packaging in accordance with our quality control programme. Whenever a product changes in any way (such as a wine vintage), both a sensory evaluation and laboratory tests are performed. In addition to testing a product's quality, we also update the product characteristics, analysis values and other information provided in our customer materials.

Alko Quality Control and the ACL collaborate with other Nordic alcohol monopolies to share best practices and exchange information on issues with a significant impact on product quality.





## A fall in product returns

Customers returned 14,428 products to Alko in 2015 (14,674 in 2014). The majority of these returns (90 per cent) concerned wines, and in particular red wines, which accounted for 68 per cent of all returns. The largest single reason for returning a product was corking. This accounted for over a third of all product returns (37 per cent).

30 product batches were withdrawn from sale. One product was permanently withdrawn, as the problems with its aroma could not be rectified. Two other wines were recalled from consumers due to suspected contamination with glass shards. The most common reasons for product withdrawals are product changes during delivery and harmless deviations in colour and aroma. Our product management system enables us to monitor any entries concerning product deviations and make an immediate response.

## Alko's Alcohol Control Laboratory (ACL) ascertains the chemical quality of products

The Alcohol Control Laboratory conducts extensive analyses of both products in Alko's general selection and any potential new products. The standards applied are sometimes even more stringent than those defined in official EU regulations. In 2015, our assessment of approximately 5,700 (approx. 7,100) samples of alcoholic beverages involved a total of around 64,000 (74,000) analyses. The ACL is Finland's official alcohol control laboratory and sells analysis services to other companies and the authorities.

## Equipment modernised and analyses developed

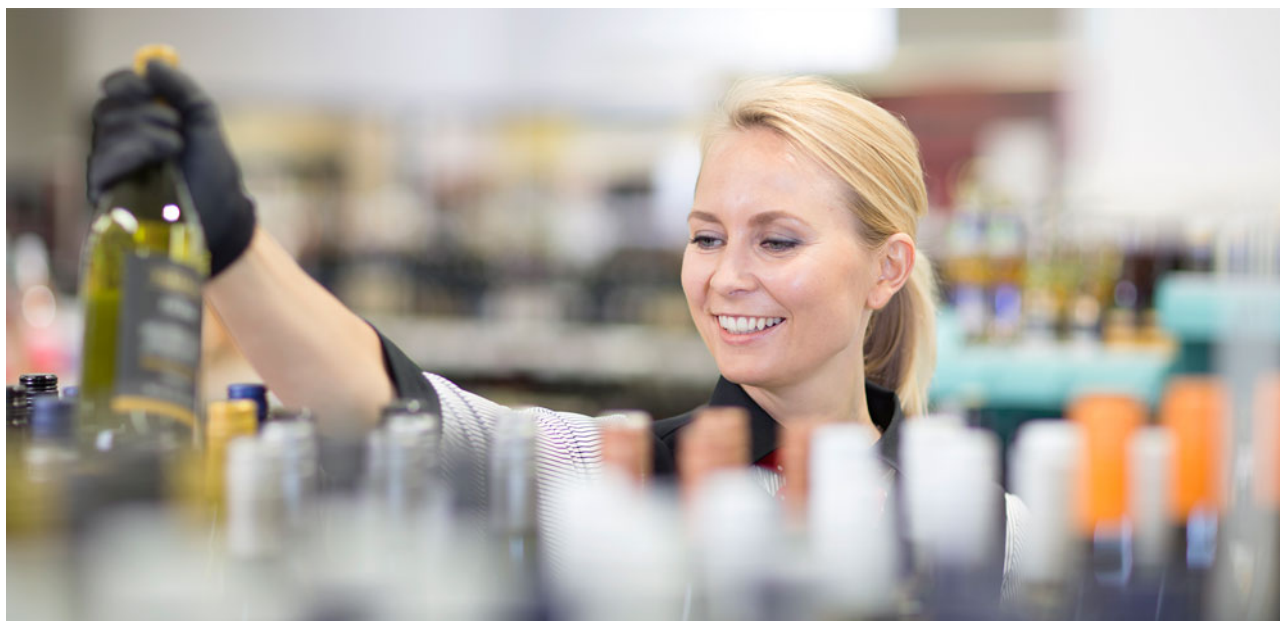
In 2015, the laboratory focused on both our quality control programme and developing its processes and analyses. We introduced a new wine analyser, and also began developing a new analysis method to support quality control through sensory evaluation. This development work will continue in 2016.



"Not all aspects of quality can be assessed via sensory evaluation, so product quality is also ensured through laboratory analysis."



## Personnel



### Personnel

[Great place to work](#)

[Personnel in figures](#)

[Changes in the number of employees](#)

[Employee benefits and remuneration](#)

[Collective agreements and cooperation](#)

[Well-being and safety at work](#)

[Training and competence development](#)

## Great place to work



In February 2015, Alko was chosen once again as the best workplace in Finland in the large companies category of the Great Place to Work competition. Achieving a top-class employee experience is the result of long-term, target-oriented efforts in which Alko employees have been extensively involved. In 2015, we targeted measures to those working communities in which the employee experience had been noticeably below average. This work was worthwhile, as the majority of these teams experienced an improvement in this area, reaching a good level.

Alko has invested in putting its strategy into practice on a concrete, personal level; participatory leadership; strong internal communications; standardising our industry's vital shift-planning practices throughout the organisation; strengthening supervisors' expertise in employment contracts; competence development; and well-being at work.

Alko's excellent customer service is based on expert staff who have the right attitude to their work. In 2015, we introduced new forms of competence development, such as in-store training, more participatory methods, and training through Skype (a communal online communications channel). Alko employees take part in an average of three and a half training days per annum. In-house service and product trainers are responsible for competence development of store staff, alongside on-the-job training from other sales staff. This competence development is supported by our revamped target reviews and assessments. We also started overhauling our compensation scheme for sales staff in cooperation with the employee organisation. The new scheme, which will be introduced in 2016, is based on competence development.

To enhance well-being at work, we offer feedback to both individuals and working communities on their current status. We have established a number of action plans for situations in which well-being, working capacity or organisational functionality are at a low level. These plans include resource coaching, individual and group coaching, and working community mediations.

Jointly achieved success is based on clear and specific goals, and the targets for our incentive scheme are linked to Alko's strategy. According to the personnel survey, our employees trust in management's vision of where the company is heading. Alko's strengths include excellent staff motivation and management's willingness to listen to and involve their employees. Management also makes an effort to be present and openly interact with employees at all levels of the organisation, for example, by visiting shops and even working there.

Whilst updating our strategy in 2015, we also changed one of our previous HR targets from being the 'Best workplace in Finland' to doing the 'Best work'. We still want to be a good, responsible employer that offers a suitable framework for doing the best work. However, in our strategy period 2016–2018, we will be underlining the idea that each Alko employee is ultimately responsible for creating the conditions in which they can do their best work, through personal development and by adopting the more flexible working models that we are developing together. The same goes for working communities – everyone shoulders their own responsibility for creating a good team spirit. This is something that we will be highlighting with our 'Best work' target.



## Personnel in figures



### Personnel

#### NUMBER OF PERSONNEL



► 2015 / 2525 persons

1821 Person-years



► 2014 / 2611 persons

1879 Person-years



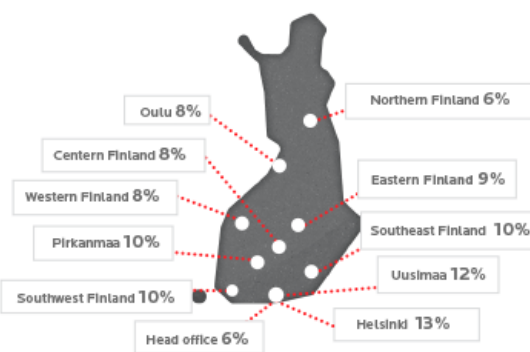
► 2013 / 2705 persons

1901 Person-years

#### PERSONNEL



#### GEOGRAPHICAL DISTRIBUTION OF STAFF

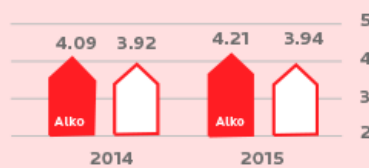


#### PERSONNEL IN VARIOUS DUTIES



- management team 7
- managers 31
- shop managers 232
- sales staff 1709
- experts 119

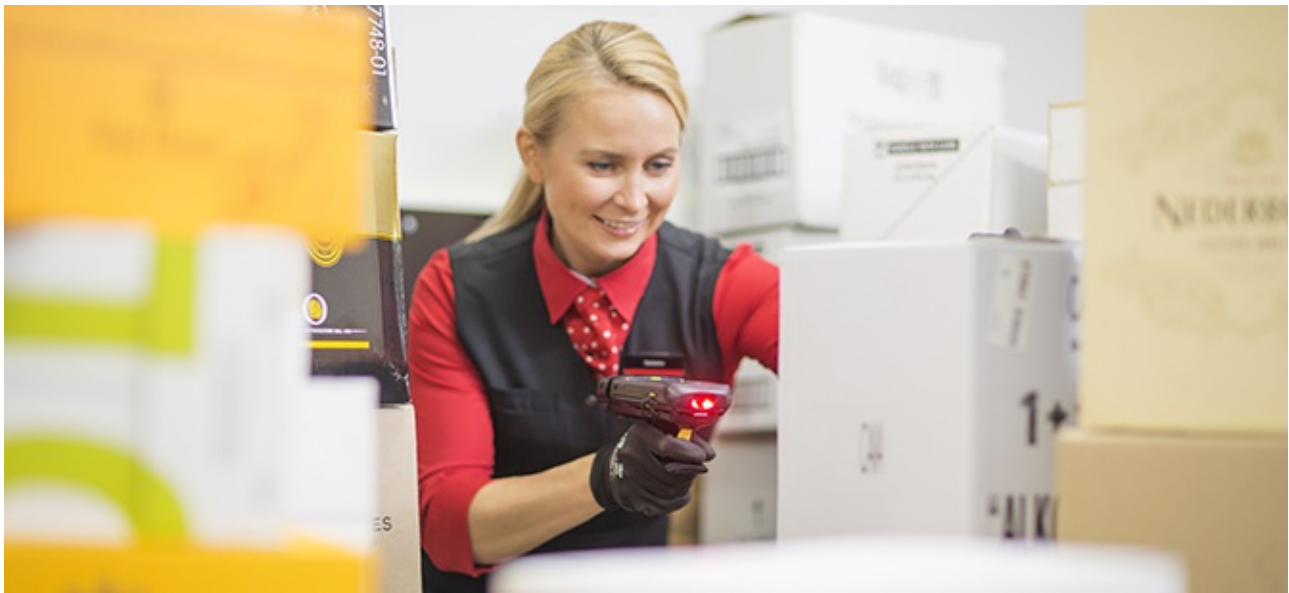
#### ALKO'S EMPLOYEE LOYALTY IN COMPARISON TO THE SERVICE SECTOR OVERALL



#### TRENDS IN ABSENCE DUE TO SICKNESS



## Changes in the number of employees



At the end of 2015, we had 2,525 (2,611) employees, which was about 3.3 per cent fewer than in the previous year. Of these, 417 (406) were fixed-term and 2,108 (2,205) permanent employees.

In 2015, Alko had an average of 2,415 (2,524) employees, totalling 1,821 (1,879) person-workyears when converted into calculated person-workyears.\* This reduction in personnel was due to structural adjustments resulting from falling sales and good HR resourcing practices with regard to, for example, holidays and shift planning.

YEAR	2010	2011	2012	2013	2014	2015
Number of personnel (average)	2,606	2,624	2,657	2,610	2,524	2,415
Person-workyears (average)	1,950	1,926	1,928	1,901	1,879	1,821
Number of employees, 31 December	<b>2,692</b>	<b>2,753</b>	<b>2,756</b>	<b>2,705</b>	<b>2,611</b>	<b>2,525</b>

Trends in the number of personnel, 2010–2015, and the number of employees at 31 December

Almost all experts at head office are employed on a full-time, permanent basis. Part-time employees accounted for roughly 68.6 (70) per cent of all permanent employees, which is slightly less than in 2014. The majority of part-time employees are sales staff, as Alko's sales are seasonal and also geared towards the end of the week. Good HR planning helps us to ensure that we offer as many working hours as possible to in-house staff. Any vacancies and vacant shifts are first offered to Alko's part-time employees. Standardised practices enable good shift planning. Our aim is to combine the requirements for both a good customer and employee experience and high efficiency.

\* 1 person-workyear = full labour input of one full-time employee over a period of one year



## Duration of employment and turnover

Long-term employment relationships at Alko are an indication of the high level of employee loyalty. About 71% of our permanent employees have been with Alko for more than 5 years. At the end of 2015, the average duration of employment was 11.25 years, which was about the same as in the previous year (11.00).

### Distribution of personnel per service year, permanent employees

Duration of employment (permanent employees)	Number of personnel	%
less than 1 year	72	3%
1–2 years	211	10%
3–4 years	330	16%
5–9 years	560	27%
10–15 years	478	23%
16–19 years	125	6%
20–29 years	246	12%
30–39 years	80	4%
more than 40 years	6	0%
<b>Total</b>	<b>2,108</b>	<b>100.0%</b>
	<b>70.9%</b>	<b>employed for over 5 years</b>

In 2015, Alko signed 733 (732) new employment contracts, of which 53 (70) were permanent contracts. The remainder were fixed-term contracts. The seasonal nature of Alko's business explains the high number of fixed-term contracts – additional HR resources are required to support permanent employees during high seasons. The new employment contracts covered 660 people. Of these, 153 had previously worked for Alko (sometimes also earlier in the same year), while 507 people were working for us for the first time. People like working at Alko and are keen to return. Of our new employees, 72% were women and 28% men.

We want to support a diverse working community and take this into consideration when hiring new personnel. However, the job description for our largest employee group – shop staff – involves a number of tasks requiring good physical condition (for example, unloading product deliveries). Fluent Finnish-language skills are also important in customer service.

In 2015, 562 (558) employment contracts were terminated, 70.4 per cent of which were with women and 29.6 per cent with men. The majority of employment contracts for the Christmas season ended in January 2016, which is why the number of new contracts appears greater than the number of terminated contracts. The total number of personnel fell by an average of 4.3 per cent during 2015.





## New and terminated employment contracts in 2015

	2014	2015	CHANGE ON THE PREVIOUS YEAR
<b>Number of employees, 31 December</b>	2,611	2,525	-3.3%
<b>Average over the year</b>	2,524	2,415	-4.3%
<b>Number of new employment contracts</b>	732	733	+0.1%
<b>Number of terminated employment contracts</b>	558	562	+0.7%
<b>of which terminated by the employer, %</b>	12	23	+92%
<b>Total turnover (all contracts), %</b>	22.1	23.3	+5.3%
<b>Turnover (permanent employees leaving), %</b>	9.1	9.1	-
<b>Voluntary turnover (permanent employees leaving), %</b>	6.4	5.9	-7.8%

In 2015, a total of 57 (49) employees retired from Alko. One person also went on a disability pension. We invest in activities to maintain the working capacity of our employees, and engage in close cooperation with our employment pension company and occupational health service provider. The average retirement age (including disability pensions) was 59.8 (60.0).

## Gender distribution

Alko staff are predominantly female: 72 (72) per cent of our employees are women. Four of Alko's seven-person Management Team are women. The number of men and women is almost equal among supervisors at head office, in regional offices, and among shop managers (48 per cent men and 52 per cent women). 69 per cent of employees in expert positions are women, and 75 per cent in sales. This is due to the predominance of women in the retail trade and the fact that most applicants for sales positions at Alko are women.

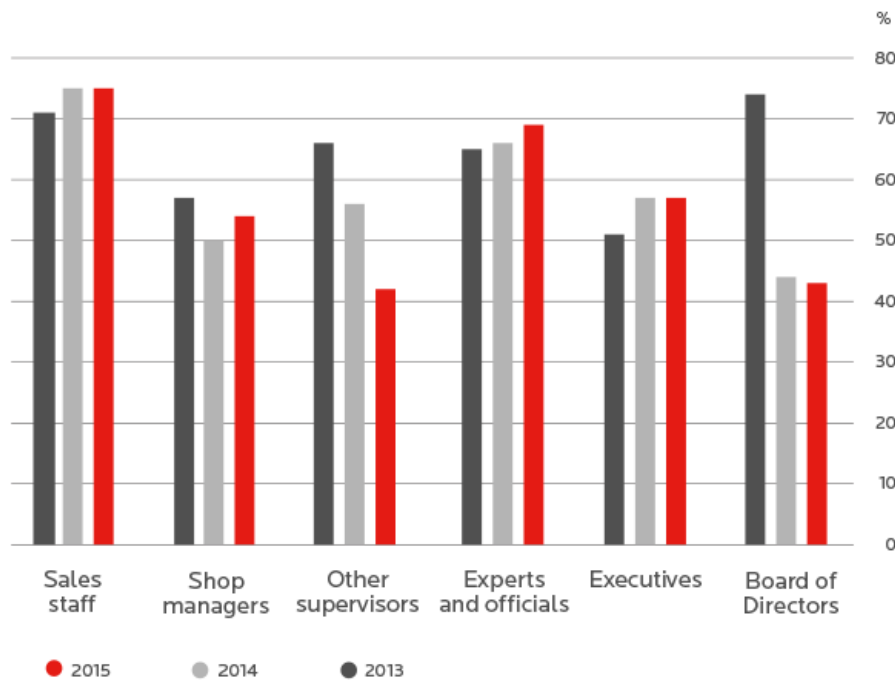
	2010	2011	2012	2013	2014	2015
Sales staff	73%	74%	74%	71%	75%	75%
Shop managers	42%	46%	49%	57%	50%	54%
Other supervisors	48%	52%	50%	66%	56%	42%
Experts and office staff	70%	68%	68%	65%	66%	69%
Executives	50%	50%	55%	51%	57%	57%
Board of Directors	57%	47 %	56%	74%	44%	43%





TOTAL	69%	70%	71%	70%	72%	72%
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## Proportion of women by type of position



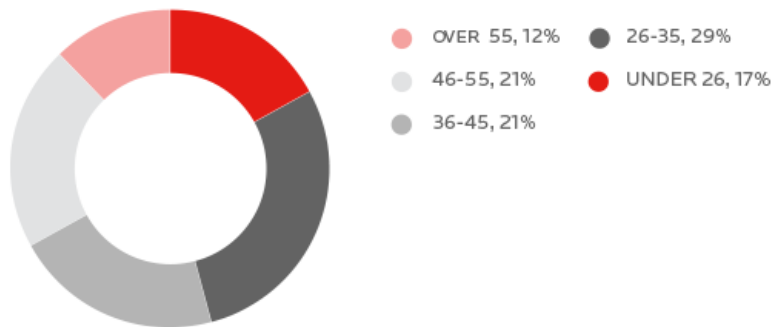
## Age distribution

The age distribution for Alko employees as a whole has remained quite similar for the past five years. Women are in a majority in all age groups. The average age of permanent employees is 41.4 for men and 40.6 for women. The average age of employees is 40.8 for those with permanent contracts and 38.6 for all types of employment contracts as a whole. This is because seasonal employees tend to be younger than our permanent staff. Eight per cent of permanent employees (excluding seasonal workers) were under 26.

### AGE DISTRIBUTION OF PERSONNEL

	2010	2011	2012	2013	2014	2015
<b>under 26</b>	19%	20%	21%	20%	17%	17%
<b>26-35</b>	29%	29%	30%	29%	30%	29%
<b>36-45</b>	20%	20%	19%	20%	20%	21%
<b>46-55</b>	20%	20%	20%	21%	22%	21%
<b>over 55</b>	11%	10%	10%	10%	10%	12%

## Age distribution, all employment contracts



## Family leave

The percentage of employees starting new periods of family leave – 3.7 per cent – fell slightly on the previous year. This was largely due to the amount of family leave taken by men, which fell by 10.5 per cent. Women took the same amount of family leave as in 2014.

### New periods of family leave begun in 2013–2015

#### NEW PERIODS OF FAMILY LEAVE

	2013	2014	2015
<b>Men</b>	26	57	51
<b>Women</b>	144	134	133

Most of the men taking family leave were on paternity leave, which lasts for a shorter period than the maternity leave taken by women. Comparably, the majority of those taking parental and child-care leave were women. No statistics are available on the actual ratio of returns or employee retention, but most employees returning from family leave return to their previous positions. Only a minority do not return due to, for example, transferring to another employer. 116 employees were on family leave at the end of 2015. Of these, three were on paternity leave and the rest on maternity, parental or child-care leave. At the end of 2015, 6 men and 110 women were on family leave.

### Family leave that ended in 2013–2015

#### FAMILY LEAVE ENDED

	2013	2014	2015
<b>Men</b>	38	57	50
<b>Women</b>	150	150	114

## Employee benefits and remuneration



We have a diverse employee remuneration system comprising a basic salary, benefits, and an incentive scheme that links strategy and remuneration in a concrete manner for all employees. Every year, we seek to both improve the content of this system and keep employees better informed. We want to offer our personnel a remuneration system that supports our strategy.

Alko's personnel costs totalled EUR 85.4 (86.8) million in 2015. A total of EUR 67.4 (68.0) million was paid in salaries and fees. The average annual pay (including any benefits and incentives) for Alko employees as a whole was EUR 30,027, which was slightly less than in 2014 (30,713). This was due to factors such as a lower payout from the incentive scheme, more efficient usage of HR resources, and retirements. Task-specific salaries for sales staff and shop managers are paid in accordance with pay groups and tables based on collective agreements. Other factors that influence remuneration are also agreed upon in the collective agreement and apply to all employees within its scope. These factors include increments, years of experience, and cost-of-living classifications for different municipalities. Salaries for employees in expert and managerial positions at head office and regional offices are determined on the basis of position-specific competence requirements, general competence, experience, performance and results. We employ the commonly used HAY methodology to evaluate the competence classification of positions for office personnel.

### Ratio of basic salary – men and women

Most Alko employees are paid on the basis of tables drawn up in collective agreements. Equal pay is one of the items we examine when drawing up our biennial equality plan. The last check was carried out in 2015 on the basis of remuneration for the previous year. Gender does not affect remuneration at Alko and no significant differences have been identified between comparable positions.

### Personnel benefits

Alko provides occupational healthcare services, statutory insurance for accidents and occupational diseases, family leave opportunities, and pension benefits to both fixed-term and permanent employees. Alko also supports well-being at work and leisure-time activities. These benefits are primarily available to all Alko employees (excluding company phones and cars, which are provided for certain positions only).



## Remuneration for the Board of Directors and chief executives

Alko's Annual General Meeting decides annually on the fees and other financial benefits paid to the members of the Supervisory Board, and to the Board of Directors and its committees. Fees are paid in monetary form. The Annual General Meetings held on 27 May 2014 and 27 April 2015 decided on the following fees for members who were present at Supervisory Board meetings:

- |  |           |
|--|-----------|
| • Chairman of the Supervisory Board      | EUR 1,000 |
| • Vice Chairman of the Supervisory Board | EUR 800   |
| • Members of the Supervisory Board       | EUR 700   |

The Supervisory Board convened five times in 2015.

The Annual General Meetings decided on the following fees for the Board of Directors in 2015:

- Chairman of the Board EUR 2,750 per month
- Vice-Chairman of the Board EUR 1,300 per month
- Member of the Board EUR 1,100 per month
- plus meeting fees of EUR 600.

The Board of Directors convened ten times in 2015. The participation rate at meetings of committees appointed by the Board was 92 per cent.

Based on the Remuneration Committee's proposal, the Board of Directors decides on remuneration for the President & CEO and the Management Team. Management's remuneration complies with the position statement on remuneration for corporate management and key personnel issued by the Ministerial Committee on Economic Policy on 13 August 2012.

## Remuneration systems



Alko's remuneration systems support the attainment of the company's strategic objectives. Remuneration systems linked to the basic salary for shop staff are based on salary tables in the collective agreement. The salaries of staff in expert posts at head office are based on the competence requirements of each position. Responsibility is an important aspect of our remuneration systems. In 2015, we began preparing for a revision of our basic remuneration systems by setting up working groups with both personnel organisations. We made good progress with our remuneration system for sales staff, and we expect it to be ready for introduction during 2016. The new system will be based on sales staff's competence development. With Alkoholialan Toimihenkilöt ry (the organisation that represents office workers), we agreed to postpone developments for the time being.

### Incentive system

The Board of Directors decides annually on the principles governing the incentives and performance targets determined for staff and the Management Team on the basis of a proposal by the Staff Committee. The Board approves the annual remuneration paid. Our incentive scheme was revised at the beginning of 2014, to make it clearer for staff and to better support our strategy. No major changes were made during 2015. Alko's incentive scheme rewards all personnel if the company achieves the threshold goals set for operating profit. Our incentive scheme encourages staff to act in pursuit of our common strategic objectives. It is closely linked to Alko's strategic focus areas – customers, staff, responsibility and efficiency – and its indicators encourage us to work together to succeed and achieve profitable results.

The Management Team's incentive scheme is based on goals selected from the company scorecard (customers, responsibility, staff and operational efficiency) and indicators for monitoring the achievement of these goals. The maximum incentive bonus that could be paid in 2015 was equal to 15% of annual salary, and the targets were the same for all members of the Management Team. Responsibility is an incentive indicator for all staff groups. A responsibility indicator is chosen to match the tasks of each employee group:

- shop managers, sales staff: alcohol policy responsibility: targets for the supervision of age limits and intoxication
- regional managers, regional coordinators, shop managers, sales staff: alcohol policy responsibility: mystery survey for responsibility
- managers, experts and employees at head office: reputation and responsibility survey, responsibility TRI\*M index).

Our incentive system has been devised in-house without with the assistance of external incentive consultants. The incentive is paid once a year, as long as the predetermined target for operating profit has been achieved and approval has been given by the Board of Directors. Incentives for management and staff for 2015 totalled EUR 3.4 (3.0) million inclusive of personnel costs, which is 4.0 (3.3) per cent of all personnel costs. We also updated our incentive scheme during 2015, transforming it into a strategy incentive scheme for 2016 that will drive us towards attaining our targets and building the sense of community we require to create a multichannel Alko.

### Individual pay component in shops

Once a year, we reward excellent performance by sales staff and shop managers with an individual pay component in addition to their basic salary. The criteria for the component have been agreed on with personnel representatives.

The individual pay component criteria for sales staff are:

- responsibility
- a service-minded approach
- expertise
- working together to succeed and achieve results.



The individual pay component criteria for shop managers are:

- service management
- responsibility
- working community management
- change management
- operational efficiency.

In 2015, the individual pay component was paid to 390 (365) members of our sales staff and 50 (48) shop managers. There were two levels to the pay component for both groups: EUR 605 or EUR 405 for sales staff, and EUR 2,860 or EUR 2,360 for shop managers. We have decided to merge individual pay components for sales staff into the new incentive scheme that is currently under development, meaning that the 2015 individual pay components were the last for staff.

**The average total annual earnings of staff amounted to 6.9 per cent of the total annual earnings of the President & CEO, 2 which was the same level as in the previous year. All employees in active employment with Alko during 2015 have been included, regardless of their type of contract and working hours. The average annual pay (including any benefits and incentives) for Alko employees as a whole was EUR 30,027 in 2015, which was slightly less than in the previous year (EUR 30,713). This was due to factors such as a lower payout from the incentive scheme, more efficient usage of HR resources, and retirements.**

## Pensions

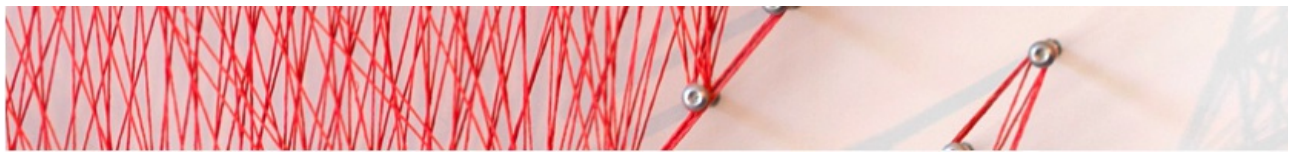
Alko employees are covered by statutory employment pension insurance. Employees who joined Alko before 1992 are also covered by additional pension insurance, and their retirement age is accordingly lower than the statutory retirement age. No additional pension schemes are now provided for newly recruited senior executives. In 2015, four of the seven Management Team members were covered by an additional pension scheme.



**"Alko's remuneration systems support the attainment of the company's strategic objectives."**



## Collective agreements and cooperation



Alko adheres to two collective agreements: the collective agreement between the Federation of Finnish Commerce FFC and Alkoholikaupan Ammattiliitto ALV ry (the trade union for alcohol trade, which represents sales staff) and the collective agreement between the Federation of Finnish Commerce FFC and Alkoholialan Toimihenkilöt ry (the trade union for office personnel in the alcohol trade). Company-specific collective agreements are supplemented by the trade sector's collective agreement. The aforementioned collective agreements apply to all Alko employees.

All current collective agreements are in effect until 31 January 2017. Collective bargaining takes place at union level. Alkoholikaupan Ammattiliitto ALV ry belongs to Service Union United (PAM) and Alkoholialan Toimihenkilöt ry to the Federation of Salaried Employees (Pardia).

The employee representative system at Alko is defined in collective agreements. Alko's consultative committee, which comprises representatives of the employer and both employee organisations, convened ten times in 2015.

Alko had three employment disputes pending in the courts during 2015, two of which are still ongoing: one at the magistrate's court and the other at the supreme court. The third, a dispute over the obligation to offer extra work, was resolved in favour of the other party at an industrial tribunal in spring 2015.



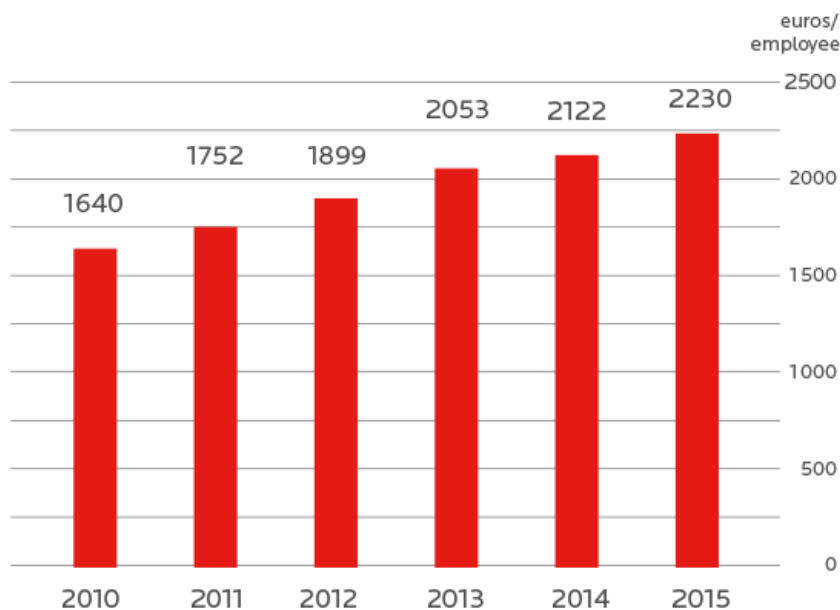
## Well-being and safety at work



We focus on the key elements of well-being at work, including competence and leadership, a safe working environment, and avoiding risks related to working capacity. We enhanced well-being at work through, for example, coaching that gives supervisors concrete tools to identify risks to working capacity at an early stage, and to intervene in challenging situations within the working community. We also trained the analysis and assessment of competence, and offered targeted well-being measures to the individuals and teams that were evaluated.

In 2015, we invested an average of EUR 2,279 (2,122) per employee in measures related to well-being at work. This increase was due to, for example, a rise in catering costs, an increase in one-off well-being payments for shop teams, and the comparison figure for the number of personnel (fewer hours have been worked in 2015 due to falling sales, and hours have been both reduced and allocated to in-house personnel as much as possible).

### Promotion of wellbeing at work





## Occupational safety

Alko has a company-level occupational safety committee for organising cooperation on safety at work. Sales staff have four representatives, office workers two, and the employer two. Occupational healthcare representatives also attend meetings. The occupational safety committee's tasks are defined in occupational health and safety legislation, and also in agreements between the employer and both employee organisations.

The occupational safety committee convened five times in 2015. Occupational safety work focused on increasing awareness of safety and well-being at work; building a healthy working environment and community; ergonomics; accident prevention; and accident investigation.

In 2015, an historic occupational safety agreement covering all Alko personnel was negotiated with both employee organisations. This joint agreement will be put into practice through a new occupational safety organisation during 2016.

## Accidents and occupational diseases

We focused on guidance for employees and preventing work-related risks. There were a total of 103 (131) occupational accidents at Alko in 2015, 32 (32) of which occurred whilst commuting. This significant reduction in occupational accidents was due to, for example, the introduction of a new safety knife, more effective awareness communications, and a new procedure for investigating accidents. These accidents led to an average of 5 (4) days of leave. At present, the gender distribution for accidents and near miss incidents is not reported. No occupational diseases were reported during 2015.

In 2015, the number of accidents decreased in relation to previous years. The most common accidents at Alko involve lifting-related musculoskeletal injuries that are incurred, for example, when unloading product deliveries. Slipping and falling are the most common accidents that occur whilst commuting.

Trends in the number of accidents, 2010–2015

	2010	2011	2012	2013	2014	2015
<b>Number of accidents</b>	118	105	100	129	131	103
<b>- of which commuting accidents</b>	33	22	24	40	32	32
<b>Days of absence due to accidents (average)</b>	10	9	9	5	4	5

## Absence due to sickness

Sickness absences decreased slightly on 2014. The sickness absence percentage for 2015 was 4.07% (4.30%). The number of sickness absence days per person-workyear was 9.9 (10.8).

Absence due to sickness, %	4.69%	4.33%	4.49%	4.16%	4.30%	4.07%
Days of absence due to sickness/person-workyear	12.2	11.1	11.5	10.5	10.8	9.9
Year	2010	2011	2012	2013	2014	2015



## Trends in absence due to sickness

Short absences of less than 30 days accounted for the majority of sickness absences, with approximately 6.7 (7.1) per cent totalling 30 days or more. The number of long sickness absences has decreased year-on-year, as has their average duration.

Musculoskeletal injuries were once again the most common reason for sickness absence in 2015, and they were slightly up on the previous year. We will continue our systematic efforts to prevent musculoskeletal injuries through, for example, ergonomics.

In 2015, we updated Alko's working capacity management model by enhancing our processes, providing supervisors with training on the early intervention model, and actively monitoring sickness absences. These measures definitely bore fruit and resulted in, for example, a clear fall in the number of sickness absences. After putting out a tender for our occupational healthcare services in late 2015, we will be enhancing our working capacity management in 2016 with, for example, the introduction of a working capacity management system and by investing more heavily in the creation of dedicated and effective preventative measures in occupational healthcare.

## Training and competence development



Alko has a long history of systematic competence development. We have invested in service expertise in particular, as skilled employees play a key role in providing a top-class customer experience. We continued along this path in 2015, by further expanding our competence development themes and methods. New communal tools opened up new ways of sharing and developing in-store expertise that had previously been siloed. We also launched remotely guided tastings to supplement classroom training sessions that require travelling – employees were given the opportunity to follow and interact with experts over Skype. This approach was harnessed in many other training themes as well. The revamp not only made training more efficient as a whole, it also expanded our range of training methods and themes. Traditional, single-day training sessions were offered to over a thousand Alko shop staff at local venues, and most monthly sales training occurred face-to-face at over 500 sessions across Finland.

Full-time service and product trainers, along with sales staff and shop managers working as part-time trainers, are responsible for competence development and the provision of practical training. During the year, we focused on enhancing our trainers' pedagogical skills to make training sessions more participatory and encourage the exchange of skills. We also arranged four study trips to give trainers more background information about products and their uses, which they could then pass on to others. This was highly visible in our internal themes, such as the Etiketti Club's training sessions and materials.

Fewer training days were held than in previous years. The main reason for this was the end of several training programmes that covered all personnel. In previous years, we organised extensive training as part of the WAU project (to develop service culture) and the Ilona project (to develop supervisory work). In addition, fewer basic training sessions were held, as we had fewer new recruits. However, we organised almost the same volume of product and service training, safety training, and managerial training (for, for example, shop and product managers). More in-store team coaching was scheduled than in previous years.

### Number of training days, 2013–2015 (shop network)

	2013	2014	2015
Number of training days	9,837	9,673	7,683
Number of training days per employee	4	4	3,5

Alko updated its training structure in 2015. We drew up a plan to maintain our high service standards with the aid of new methods. We linked our training calendar more tightly to the shopping hours and seasonal celebrations that are most important to our customers. This update will be seen in our new seasonal training sessions for 2016, which will be held three times a year and attended by all personnel. At the same time, we decided to revamp our supplementary training. Supplementary training was planned in cooperation with a team comprising purchasing and shop staff. Training was also targeted to different types of stores, and an open application for training places was used for the first time. By the end of 2015, we had chosen our training themes, selected participants and formed the groups – we'll see the results of our revamp in 2016.



## Target and performance reviews

Target and performance reviews are a key element in our management practices, both in terms of performance management and personal development. Every employee attends a target and performance review twice a year. We used these reviews as a basis for the team target reviews that we launched in January 2016. Both personal and team targets for performance and competence development are set during these discussions. Performance, development and well-being are also reviewed. Supervisors and team members regularly discuss work and personal issues at other times as well. The frequency of these discussions depends on the nature of the work in question, and varies from monthly to weekly.

During the target and performance reviews held in autumn 2015, every salesperson's competence was assessed using a 'skills compass'. This tool provides personal feedback by comparing the salesperson's skills to both their job description and the average level of competence at the shop where they work. During 2015, we also established a national skills hierarchy that will help us identify multi-skilled Alko employees to meet the needs of our future, multichannel customer service. The skills hierarchy also acts as an excellent tool for reviews in which supervisors work together to calibrate competence assessments for their teams and create a common language for discussing competence and performance.

## Personnel surveys

Personnel surveys provide information on personnel's experiences, supervisory work and leadership, the working community, involvement, motivation, tools, and other enablers.

We added new questions to the personnel survey in 2015. These questions focused on individual involvement and motivation in order to measure success towards our new strategic target, 'Best work'. The response rate was very high.

The greatest improvements were seen in tools, occupational safety, and supervisory work. Our considerable investments in tools and communal working methods in recent years have borne fruit. Occupational safety has been improved through both technical solutions and training. We have also been running a long-term coaching programme relating to supervisory and team work.

Our employee loyalty index was clearly higher than the service industry average. This index has also been selected as a strategic benchmark for our 'Best work' target. The statement "My work is motivating" was ranked in the top ten per cent in relation to the comparison material. Questions concerning well-being were also ranked very highly. The most important area for development concerns how well employees feel that they can influence their own work.

Alko's employee loyalty compared to the service sector as a whole, 2015

### ALKO'S EMPLOYEE LOYALTY COMPARED TO THE SERVICE SECTOR AS A WHOLE, 2015

year	2014	2015
Alko	4.09	4.21
Service sector comparison figures	3.92	3.94





## Case: Pre-school for Alko employees



### Pre-school for Alko employees

Alko nurtures service expertise. Although our sales staff can continually enhance both their ability to interact with customers and their knowledge of our diverse range of products, the seeds of this expertise are often sewn at a Start Day – a full-day training course that introduces new employees to the world of Alko. This training covers products, sales supervision, customer service, Alko's position, and its employees' obligations and rights.

At Alko, we believe that everyone should receive this kind of training: all seasonal workers attend a Start Day as well. 252 employees attended Start Days in 2015.

During the day, they went through all of Alko's beverage categories, learning about their typical characteristics and how and when they are used. Product training begins from the absolute basics. The products used during training have been placed into groups that, for example, support Alko's wine taste styles and beer types. Employees use their senses – smell, sight and taste – in combination with the theoretical knowledge provided by the trainers. They also discuss which products are best suited to which kinds of customers and occasions. New employees also familiarise themselves with Alko's way of tasting products: after defining a beverage's characteristics, these are used to determine a suitable occasion for its use, and the beverage is then spat out. Products are always assessed from the customer's perspective.

Learning at Alko is based on a modern approach in which employees are inspired to actively seek information. Training seeks to provide every employee with stimuli and incentives to seek out new information and knowledge. Our Start Days pave the way for Alko sales staff to begin their own independent studies.

Start Days also seek to ensure that all employees are familiar with the basics of every product category, and are able to handle regular customer service situations and answer the most common questions about combining food and beverages. It is also important to learn that no one can know everything. Specialisation is an asset and there will always be an expert, either in their own shop or elsewhere in the company, to whom employees can turn when they face more demanding questions.

Alko's Product ABC is handed out at Start Days. This 220-page handbook provides guidance on all of Alko's product categories. It is used as a tool in all Alko product training sessions, for example, in both basic and further training. The guide runs through over 100 grape varieties, over 40 wine-producing countries, and different methods of wine production.

It also hints at how much there is left to learn after the Start Day.



## Case: Personnel training all year round



Product training manager Jukka Sopenperä joined Alko in 1975, which gives him quite an overview of the company's history. New ways of working interest him just as much as ever.



"Alko was running product training long before I joined the company. I first encountered product competence development back in the 1970s. Alko hasn't overlooked special know-how – we were learning all kinds of facts about products back in the 1980s. Every Alko employee must be familiar with our products, and there's been no compromise on this policy."

For a long time, Alko's regular product training sessions on current topics used to be referred to as, for example, "new products". They later became known as monthly training.

"This name was coined at the turn of the millennium, at Alko's former head office in Kuninkaala. We needed to come up with a new name for these training sessions, as we were including increasingly important themes such as service expertise and, later, responsibility. Monthly training didn't feel like a particularly ground-breaking idea for a name, but it was more inclusive and indicated the frequency of the sessions. Monthly training has been under continual development ever since it was launched, and we've been updating it even more over the last 15 years in particular. For example, Apaja online

training was introduced in 2009 to supplement lecture-based sessions."

### Fair play – jump on in

Monthly training has been open to everyone. There have been eight monthly training programmes per year with 120 sessions held per programme, from north to south and east to west. Information has been shared both through traditional lectures and online.

Jukka has been actively involved in developing Alko's monthly training. Hints and tips have been received from people throughout the organisation, from sales staff to management.



"We've been able to find something new in everything, and in particular to increase the use of a variety of different methods. Thanks to advancements in IT, we're increasingly moving away from hands-on work, although it's still sometimes necessary when, for example, you're looking for background information on a product. Product presentations have been suitably paced throughout the year, shared materials have been developed, and the trainers themselves also meet regularly for training."

### From monthly training to 2016 seasonal training

Seasonal training is exactly what the name suggests: training related to Alko's main seasons, which are Easter, summer celebrations, and Christmas. These sessions are longer – three hours compared to two hours for monthly training.

"Seasonal training includes sales training, plenty of information about products, and customer service."

Seasonal training arose in response to both feedback from shops and Alko's strategic choices. Throughout Alko, we identified a need to prepare for our main seasons in particular, as this is when our customers require product information above all else.



## Responsible supply chain



### Responsible supply chain

Responsible procurement

Environmental responsibility



## Responsible procurement



### Purchases from every corner of the globe

Most of our purchases in 2015 were alcoholic beverages, of which we bought 94 million litres from the alcoholic beverage industry and wholesale traders.

Alko purchased beverages from 66 different countries of origin and 1,822 Finnish or foreign producers. Thirty-one risk countries have been selected for a potential audit on the basis of a BSCI and industry-specific risk analysis. A total of 175 beverage production facilities in Alko's supply chain are located in these risk countries. Alko has no brands or production of its own.

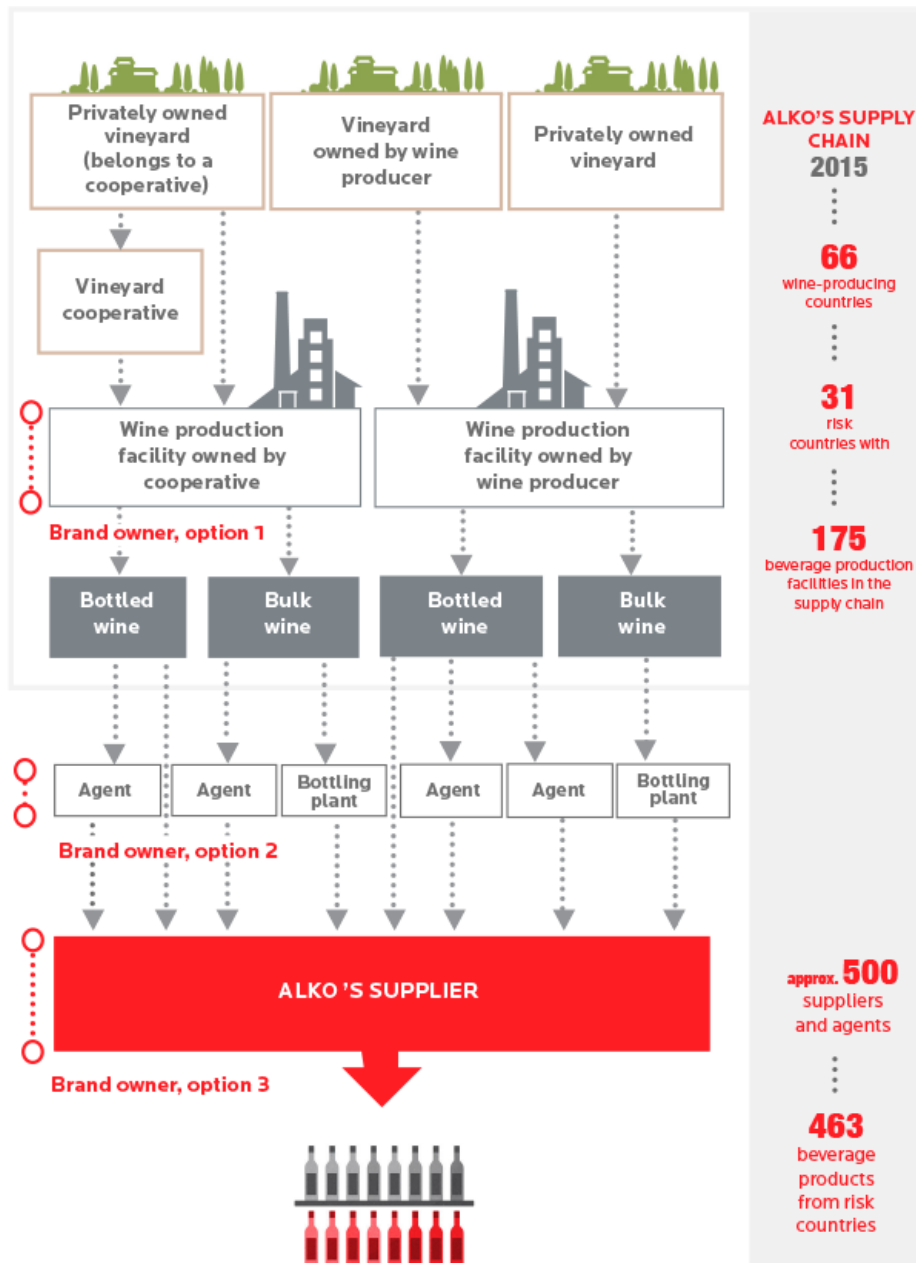
The standard-selection products that will be audited in 2016 have been chosen from the 463 beverages that are produced in these risk countries, on the basis of volume and category. Products from risk countries in general account for just under 10 per cent of Alko's total sales.

Alko has an extensive and extremely international supply chain. It is also continually changing in line with Alko's product range, which poses challenges in ensuring responsible procurement. The length and complexity of some supply chains add their own complications. A product's primary producer may be extremely difficult to trace, particularly if there are many intermediate steps between the primary producer and the product's final brand.





## Supply chains of wine



## Ethical principles are routine

### Impartiality and non-discrimination

Decisions on product listing, pricing, and delisting are made on impartial and non-discriminatory grounds – the supplier's nationality and domicile do not factor into these decisions. We comply with these principles in our responsible procurement model as well. Alko also measures the overall satisfaction of its suppliers on an annual basis. In the 2015 survey, suppliers gave Alko's procurement and logistics unit an overall score of 8.15 (on a scale of 4–10), which represents an improvement of about 3 per cent on the previous year (2014: 7.93).

### The terms and conditions of responsible procurement

As a member of the Business Social Compliance Initiative (BSCI), Alko is committed to upholding ethical principles and requires its existing and prospective beverage suppliers to do likewise. All Alko beverage suppliers have signed a commitment of compliance.



The BSCI's ethical principles are:



No precarious employment



No bonded labour



The rights of freedom of association and collective bargaining



Fair remuneration



Occupational health and safety



Special protection for young workers



Ethical business behavior



No discrimination



Decent working hours



No child labour



Protection of the environment

In 2015, we also began applying responsible procurement principles to the development of our indirect purchases.

## Continued efforts to ensure the responsibility of our procurement chain

Deficiencies in occupational safety may be found at beverage production facilities, for example, blocked emergency exits or chemicals stored in a dangerous way. Other basic things cannot be taken for granted either, such as a living wage and employees' rights to form unions and otherwise influence their working conditions.

During primary production – at vineyards, for example – issues with working conditions are often associated with the busy harvest season. Common deficiencies relate to overtime during the harvest, compensation for overtime, and payment irregularities in general. Other factors that may pose challenges include ensuring that the children of migrant workers can attend school and other very fundamental things, such as toilet facilities for those working outdoors. In the future, we will be focusing on extending our audits to primary production as well.

During 2015, we only performed three audits whose aim was to assess local working conditions and make plans for improvement. This was fewer than in earlier years, due to the 2014 update to the BSCI's Code of Conduct. We decided to give suppliers time to get acquainted with the new Code before continuing our audit procedures. However, corrections to the deficiencies detected during our 2014 audits were still monitored through self-assessment and reporting. Typical findings, that is, non-conformances requiring correction at production facilities are related to chemical storage and emergency exits.

## Dialogue with suppliers

Ensuring and enhancing the responsibility of our procurement chain requires cooperation between all parties. In 2015, Alko introduced a new form of cooperation: we organised workshops on social responsibility themes for our suppliers. They were organised both as dedicated responsibility workshops and in conjunction with general supplier events. We also began engaging in more active cooperation with civic organisations, and our supplier workshops were attended by representatives from organisations such as Finnwatch, the Trade Union Solidarity Centre (SASK), Plan, Kepa, and Pro Ethical Trade Finland.





In October, representatives from the audit service company UL Responsible Sourcing told our suppliers about the updates to the BSCI Code of Conduct and explained what they should expect during a typical audit.

## An updated responsible procurement strategy for the Nordic countries

In January, the CEOs of the Nordic alcohol monopolies approved a coordinated, updated responsibility strategy. The strategy's action points focus on two sub-areas: ensuring social and environmental responsibility in the procurement chain.

On the basis of this strategy, we further standardised our social responsibility risk assessments and our plans for audits and other monitoring procedures. We utilised our joint cooperation efforts with other Nordic alcohol monopolies to create a shared risk assessment process (due diligence). Other items on the agenda included establishing a set procedure for launching audits and creating a monitoring model for suppliers that refuse to be audited.

Together with the other Nordic alcohol monopolies, we also launched a targeted study of the environmental impact of our supply chains. This research seeks to identify the most effective ways of reducing the environmental impact of our operations.

Alko organised training on BSCI requirements and processes for its own suppliers. We also developed an online training course on the Code of Conduct, both for suppliers and other members of the supply chain. This course was launched at the beginning of 2016. Influencing the entire supply chain through training is a fundamental aspect of how we operate; as suppliers gain competence, they should also do their bit to ensure social responsibility.

## Responsibility evident in our product range

At the end of 2015, Alko offered 50 certified ethical trade products and over 200 organic wines, beers and ciders. Another 20 organic products were to be found in the spirits category.

All of the ethical trade products in our range are internationally certified. At present, our range includes products with Fair Trade, Fair for Life, or For Life certification. A generally accepted auditing system is in place for these products, and Alko has not commissioned separate audits. Alko has been offering ethical trade products since 2007.

Organic production methods are here to stay in the cultivation of our products' ingredients. They seek to leave the lowest possible traces of foreign substances in the final product, but their primary goal is to improve the condition and biodiversity of agricultural areas and the surrounding natural environment. The criteria for organic wine production also require, for example, lower than average sulphide volumes in the final product. In addition to organic products, Alko's range also contains biodynamically produced red and white wines and champagnes. Biodynamic cultivation is a rising trend in France in particular, but we also purchase some of these products from Spain, Italy, Austria, Germany and the State of California.

Continued growth was seen in the alcohol-free beverage category. At the end of the year, we had about 50 alcohol-free beers, ciders, wines and sparkling wines in our selection.

We also paid more attention to responsibility in our range of auxiliary products. We use both recyclable and **recycled materials in our gift bags**. Alko introduced new uniforms for shop personnel in spring 2015, and designed a variety of accessories to be made from unused old uniforms and fabrics: blind tasting bags, gift packages and bags, and shopping bags in two different styles. Uniforms that had been worn by staff were recycled during workshops for young people. We also donated old uniforms to UFF, and some were used to make oil spill clean-up mats.



**"Products from risk countries in general account for just under 10 per cent of Alko's total sales."**



## Case: On location in Argentina



### On location in Argentina

A group of representatives from Nordic alcohol monopolies visited Argentina's most important wine production area, Mendoza, at the end of March. This group included a small team of Alko employees. The alcohol monopolies of Finland, Sweden, Norway, Iceland and the Faeroe Islands have drawn up joint policies for ethical principles that should be applied to the supply chain, and are committed to working together to put them into practice. The trip was part of this development programme.

Their goal was to meet local wine production experts, producers and organisations, and to gather more information about local responsibility efforts as a follow-up to a visit made in 2011. Four years ago, many locals had not heard of numerous things that are very important to us, such as the rights of seasonal workers. This time, we noticed that people were now familiar with social responsibility issues – and one of the reasons they cited was the requirements laid down by the alcohol monopolies. A lot of progress has been made in Argentina in recent years, and legislation supports responsible operations. Some vineyards told us that they encourage workers to study, or provide programmes for children whilst their parents are working. The larger producers we met had their own corporate responsibility programmes, to which they seemed committed.

In spite of all this, closer cooperation is required throughout the wine production process as a whole, as deficiencies have still been identified. The work done at vineyards is seasonal, and the use of hired labour is therefore common in Argentina. Although companies providing hired labour must comply with, for example, legislation governing minimum wages, some labour hire companies operate outside the law. On the other hand, it is difficult to supervise the treatment of unofficial workers who are independently seeking work directly from vineyards.

Corruption is a common challenge facing commercial operations in Argentina. However, things had changed between our visits. Several organisations were now speaking openly about corruption. Producers are hoping for transparency and would welcome a Code of Conduct for the industry, that is, Argentinian wine producers. However, it is also evident that Argentina must intervene in corruption at the highest level in order for such efforts to be properly effective.

Argentina's economic situation is very challenging, and unofficial figures for inflation are around the 30–40 per cent mark. Alongside the other issues, this makes it significantly more difficult for small grape cultivators in particular, as they cannot rely on the security of dollar deposits as major companies do.

In the countryside in particular, there are unemployed young adults who have never seen their parents work. This is one reason why employment is generally not regarded very highly. This section of the population lives on social security and may occasionally engage in grey labour. The situation is typically better in urban areas, but this has led to inequality within the country. Argentina's state school system works well, but seasonal workers in the countryside do not necessarily send their children to school, leaving these children completely outside the system.

Trade unions are strong. However, the most challenging topic we discussed was the inability of small cultivators to compete in the grape market, which is geared towards centralised operations and large corporate clusters.

In the face of climate change, many wine producers were also concerned about sustainable water consumption. The major impacts of climate change on the Mendoza area was one of the hottest topics. The area is completely dependent on water originating from glaciers in the Andes, and in recent years, climate change has begun to reduce the volume of water in the rivers. The population of the Mendoza region has increased over the same period. A combination of these issues has made water management a critical factor.



## Annual report and corporate social responsibility report 2015

Responsible supply chain > Responsible procurement > Case: On location in Argentina

Several other players accompanied the Nordic wine monopolies to acquaint themselves with the Argentinian wine business: representatives of the Ethical Wine Trade campaign, Swedwatch (which monitors the responsibility of Swedish companies), and Parul Sharma, a corporate responsibility expert from the Swedish office of the Academy for Human Rights in Business. Once a year, Alko visits a country that has been internationally classed as high-risk with regard to corporate responsibility. South Africa will be our destination in 2016.



## Environmental responsibility



### Long-term efforts to mitigate environmental impacts

The production, transportation and packaging of alcoholic beverages, and also Alko's store network, have an impact on the environment. The majority of these impacts arise during the various steps of the supply chain. Alko doesn't have its own production – we purchase beverages from both domestic and foreign suppliers.

Alko's management of environmental issues is based on the Finnish Decree on the Operation of the Alcohol Company (243/2000), and on Alko's strategy and [environmental policy](#). Practical measures are guided by the objectives and responsibilities specified in our ISO 14001 environmental management system. We report environmental impacts on our website and, once a year, also in Alko's Annual Report and Corporate Social Responsibility Report.

Our environmental management system enables us to identify and reduce harmful environmental impacts, and also reduce any costs they incur. Since 2011, all of our 351 shops have been adhering to the principles specified in the international ISO 14001 environmental management system. Alko was granted an ISO 14001 certificate in 2014. We are also involved in the Baltic Sea Action Group's [Living Baltic Sea project](#) with a commitment to collect used inner bags from boxed wines.

### An extensive range of organic products

Alko put its first certified organic wine on sale in 1994. Our organic range has been steadily growing since then, and we currently have over 260 certified organic products on sale in a variety of categories.

Organic production methods seek to leave the lowest possible traces of foreign substances in the final product, but their primary goal is to improve the condition and biodiversity of agricultural areas and the surrounding natural environment. The criteria for organic wine production also require lower-than-average sulphide volumes in the final product.

In addition to organic products, Alko's range also contains biodynamically produced red and white wines and champagnes.



## Considering the environmental impact of the supply chain

According to an ongoing Nordic study of the environmental impact of alcoholic beverages, the supply chain's greatest impact comes from the cultivation of the ingredients for alcoholic beverages, such as grapes and grains. Cultivation results in substantial environmental impacts typical of agriculture, such as climate change, air emissions and a reduction in biodiversity. Alcohol beverage packaging (in particular glass containers) and the energy consumed during production also load the environment.

Environmental issues are included in the joint Nordic responsible procurement model. Nordic cooperation seeks to reduce and prevent the environmental impacts of the alcoholic beverage supply chain. In addition to the aforementioned research into the environmental impact of the supply chain, we launched two thesis projects on environmental issues in 2015. The results of all these studies will be utilised, for example, in personnel training and when updating our environmental objectives and targets. We are also looking for new operating methods and tools to reduce the environmental impact of our supply chain.



## Recycling drinks packaging



### Empty beverage containers efficiently recycled

In 2015, we sold over 138.2 million alcoholic beverage containers of various kinds:

- 61.5 million single-use deposit glass bottles
- 4.5 million refillable glass bottles
- 26.8 million cans
- 31.2 million recyclable plastic bottles with a redeemable deposit
- 6.2 million bag-in-boxes
- 3.2 million paperboard containers
- 4.8 million single-use non-deposit glass and plastic bottles

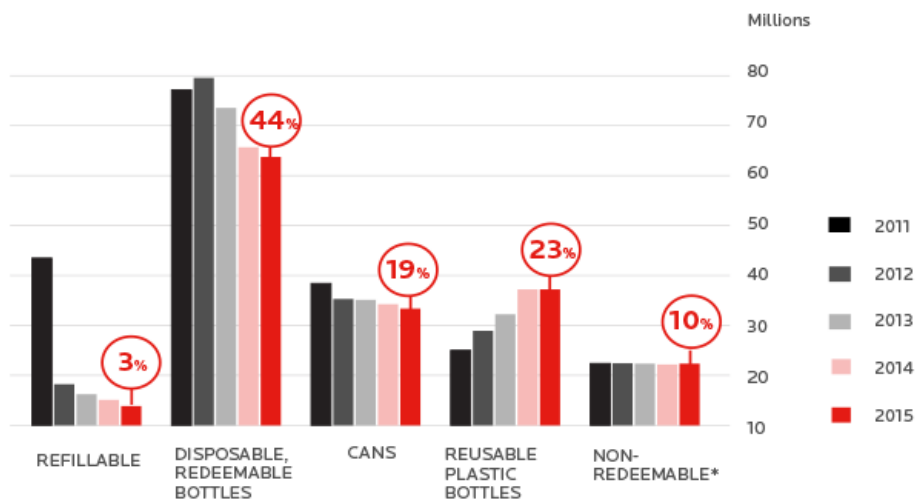
We recycle empty beverage containers in collaboration with other retail chains. At the end of 2015, most of our 310 recycling machines were located at supermarkets or shopping centres. These are joint machines to which customers can return all deposit glass bottles, plastic bottles and cans. Another 41 machines were located in Alko's own shops. We recommend that non-deposit glass bottles be returned to municipal glass recycling points.

Alko is one of the owners of Suomen Palautuspakkaus Oy (PALPA) and a member of Suomen Keräyskäsityhdistys ry, the Finnish association for promoting the recycling of glass. For several years, PALPA has been responsible for the recycling systems for deposit cans and plastic bottles. Palpa Lasi Oy has been in charge of the recycling system for single-use glass bottles since spring 2012.





## Packages sold in Alko





## Transport



### Combined deliveries reduce emissions

Alko does not maintain its own transport fleet, preferring to outsource the shop-bound transportation of products to external transport companies. We manage transportation in close cooperation with our suppliers, by combining as many loads from different warehouses as possible in each shop delivery. Loads are combined at transport company terminals. This system helps us to reduce both the cost and environmental impact of transportation.

We monitor the CO<sub>2</sub> emissions of our deliveries. In 2015, our CO<sub>2</sub> emissions totalled XXX (547) tonnes from import deliveries and XX (88) tonnes from domestic deliveries. These figures include products delivered to shops via Alko's central warehouse, but not return transport. The reduction in emissions is due to a decrease in the volume of products passing through Alko's central warehouse.

The two biggest companies transporting Alko's products use environmental systems. Products purchased abroad through Alko's import service were regularly transported by four companies, all of which had received ISO 14001 environmental certificates. Alko's central warehouse services are operated by the ISO 14001-certified Vantaa logistics centre, run by Posti Group Corporation.



## Electricity, heating and waste



### Environmental efforts in our shops

We seek to locate Alko shops and order points in central locations in the vicinity of other services. We consider a variety of factors when choosing premises, such as customer needs, the shop's location, logistics, and how environmentally friendly the property is. We value a good waste management system, a diverse range of recycling possibilities, environmentally friendly forms of heating, and the potential for energy recovery. A bottle return system shared with other companies operating in the property is also a plus. Our head office, regional offices and the majority of our shops – 329 (31 Dec 2015) – operate in leased premises. A total of 22 shops are located in premises owned by Alko.

The average area of our shops is approximately 296 square metres (302 in 2014). The direct environmental impacts of shop premises include heat, electricity and water consumption. Heating, water and waste management are usually included in the rent, which means that accurate consumption data is not fully available.

### Lighting consumes the most energy

The estimated electricity consumption of Alko shops, regional offices and our head office totalled about 13 GWh in 2015 (14.0 GWh in 2014). As precise consumption figures are not available for all premises, this total is partly based on estimates. According to the corporate energy review we performed in 2015, electricity consumption at shops accounts for the highest percentage of Alko's total energy consumption. Shops operating in leased premises consume 126 kWh/m<sup>2</sup> of electricity, while shops operating in Alko's own premises consume 134 kWh/m<sup>2</sup>. Shop lighting accounts for the majority (93 per cent) of total electricity consumption, while machinery such as POS systems and refrigeration equipment is responsible for the remainder. We reduce our electricity consumption in a number of ways, for example, by using motion detectors in the non-sales areas of our shops, changing spot lamps to LED lights, and instructing our staff to save energy. All advertising signs in shops use LED technology, and old spot lights are replaced with new, energy-efficient LED lights when shops are renovated. We continuously monitor the development of LED technology and its potential uses in shop lighting solutions.

The electricity we purchase from Turku Energy is generated with renewable energy. The origin of the electricity has been verified using certification as set out in the Act on Verification and Notification of Origin of Electricity. During 2015, we developed our electricity consumption monitoring system to obtain more accurate location-specific data about electricity consumption in our shops. We can save energy through more efficient monitoring and by implementing the ideas for improvement listed in our energy report.

Most Alko shops use district heating. No detailed information on heating energy consumption figures is currently available. We favour environmentally friendly heating and refrigeration solutions in our properties whenever possible – for example, renewable energy sources, recovering the cold condensate heat emitted by cooling equipment, and using exhaust air in the underfloor heating of business premises.

### Recycling cardboard and plastic waste

Alko's head office, shops and regional offices follow not only their own in-house waste-sorting guidelines, but also municipal guidelines and regulations. All offices have guidelines for sorting waste, saving energy, and acquiring environmentally friendly office products. Specific environmental guidelines apply to the handling of hazardous waste, and Alko's Alcohol Control Laboratory (ACL) sends all harmful chemicals to Ekokem Oy.

With the exception of hazardous waste, waste disposal is mainly included in our shops' rental contracts. Shops sort and recycle the bio, metal, glass, energy and paper waste they generate using the waste management system of the premises in question. In 2015, we sent



almost 840 tons of cardboard and over 108 tons of pallet plastic to be recycled. We utilise pallets, baskets and other reusable transport materials when making deliveries of alcoholic beverages and other products sold at Alko. Most of these are deposit products and nearly all are recycled. All wastewater generated by our operations is fed into the municipal sewer network.

## Shop furniture recycling generates savings

Durable, recyclable and reusable furniture materials are selected for shops and office premises. The renovation of shops and furnishings is handled centrally. Our goal is to enable the reuse of as much surplus furniture as possible, either in our own locations or externally. In 2015, we were able to reuse about 35 per cent of shelving boards, 35 per cent of office furniture, and 68 per cent of warehouse shelving on average. We also require our furniture suppliers to use recycled furniture in our shop projects. For example, if a shop relocates to smaller premises, the surplus furniture is returned to the supplier's warehouse and used in a future project.

Stores can advertise surplus, usable furniture and equipment on Alko's internal exchange, where shopping trolleys and a range of shelving can find a new home. If furnishings and equipment are in poor repair and cannot be recycled via the property's recycling system, they are returned to Alko's central warehouse. Warehouse scrap is sorted into three main categories: scrap metal, construction waste, and electronic scrap. This furniture and equipment is sent to Kuusakoski Oy for scrapping and further treatment.



"Shop lighting accounts for the majority (93 per cent) of total electricity consumption, while machinery such as POS systems and refrigeration equipment is responsible for the remainder."



## Case: Alko is also expected to shoulder its responsibility for environmental issues



Alko has an ISO 14001-certified environmental management system (EMS). Lead Auditor Joanna Westerholm, who is responsible for the system's external audit, gives us an outsider's viewpoint on Alko's environmental efforts.

### Who are you and what do you do?

I'm Joanna Westerholm and I'm a lead auditor of quality and environmental management systems at Bureau Veritas. I've been with Bureau Veritas for 15 years, and during this time I've got to know numerous companies working in different industries, and in particular various sectors of the retail trade, logistics, and service industry. I've always been very interested in environmental and quality issues, and when you pair these with varied and mobile work with interesting organisations and their employees, then that's why I decided to become an auditor.

### What kind of company is Bureau Veritas?

Bureau Veritas was established in 1828 and is the leading provider of testing, inspection and certification services (TIC) all across the world. Our operations are based on unbiased and independent evaluation. An ISO standard is often applied, and we assess whether the criteria have been fulfilled in a third-party capacity. In Finland, Bureau Veritas Certification has certified over 750 quality, environmental and safety management systems in both industry and the service sector.

### What does an auditor's job involve?

Evaluating our customers' quality and environmental management systems. The best thing is that you can really get down to the nitty-gritty of different companies' management systems. The worst part is always being 'in the spotlight', as if you're being evaluated by the customer all day.

### How are Finland and the rest of the world doing in environmental issues?

Companies in Finland face fewer environmental challenges than those in many other European countries, not to mention those in Africa or Asia. Our electricity distribution and waste management systems work well, and we have sufficient water. Commonly inspected EMS areas, such as energy consumption, can also be accurately and reliably measured in Finland.

### What benefits does ISO 14001 certification bring?

It creates a systematic approach and framework for organisational management. Good management of environmental issues is not at odds with financial success – environmental efficiency, such as in energy consumption, also promotes operational efficiency and profitability.



## Does a management system really help companies take their business in a better direction?

Every company has its own perspectives on environmental issues. They cannot – and don't need to be – artificially magnified when establishing an ISO 14001 system. Every company can do its bit to 'make the world a better place.' The essential thing is for the EMS to make the company take action, to discover more sensible ways of implementing its processes and to consider the entire lifecycle of its products, from raw material procurements right up until the product's final disposal.

## Why should a service company like Alko certify its systems?

To demonstrate that the company is continually improving its operations and to obtain an objective evaluation of its activities. A certified system is always a message to customers as well – an independent party has verified that certain requirements have been fulfilled.

## How do you see Alko's role in environmental issues – as a state company or a company with a special mandate? Is more expected of Alko than of others?

Alko is deeply rooted in the Finnish subconscious. For centuries, it has been vital for Finnish consumers in Arctic conditions to use their natural resources efficiently and without waste. Which is why contemporary consumers also expect Alko to shoulder its responsibility for the environment. When you think of Alko, you think of high quality and precision in all things. Finns assume that Alko has the means to engage in good environmental management – and even to a greater extent than other companies, which are often up against tougher competition.

## How do Alko's environmental efforts look to an outsider's eyes?

Alko's environmental system is in good shape. Alko had already put considerable effort into environmental issues before certification, and it shows. One particularly favourable thing I noticed during the audit was that personnel are firmly committed to the EMS and precisely adhere to its guidelines.

## What could we do better?

As Alko is still a relatively newly certified company, I think you should focus on further developing and defining your environmental management procedures and your benchmarks for environmental targets in areas such as transport logistics, electricity consumption, and management review procedures.

Understanding stakeholders' needs and expectations also plays an important role in the new ISO14001:2015 standard. This is fundamentally linked to Alko's supply chain themes and cooperation with partners.

'An organisation should continually improve the suitability, adequacy and effectiveness of its environmental management system with the objective of improving its overall environmental performance.' Continual improvement lies at the core of the ISO14001 standard. In the audit, Alko has demonstrated both success in this area and its commitment to achieving environmental targets in the years to come.

## Anything else you'd like to add?

I encourage you to continue with personnel training and internal communications. Even short briefings can promote continual improvements in the EMS and motivate all personnel to get involved.



**"An organisation should continually improve the suitability, adequacy and effectiveness of its environmental management system with the objective of improving its overall environmental performance"**

**JOHANNA WESTERHOLM**





## Case: Alko customers increasingly environmentally aware



"Customers are increasingly interested in how environmentally friendly our products are and how they impact the environment. For example, many know that Alko's plastic bags are made from recycled plastic, and that our range also includes other types of products made from recycled materials. Customers actively engage with the topic in our shops as well, and ask staff questions about beverage packaging (such as whether wine boxes and tetra packs are recyclable), the environmental effects of transportation, and the carbon footprint of products. We also receive daily enquiries about organic and Fair Trade products, and we're also asked to explain how we can guarantee that our products really are organic and fair. For some customers, it's also important to have an organic alternative for seasonal products, such as mulled wines," says Maarit.

### A wider variety of information about the environmental impact of shops and products

As Alko pays a lot of attention to environmental issues, Maarit thinks that we could also tell our customers more about this topic in terms of both the quantity and variety of information we provide. She wants to make our shared environmental values more visible in everyday life at our shops. Every day, everyone does their bit to help the environment by, for example, recycling cardboard, paper, plastic, glass, bottles, and even uniforms. When it comes to environmental practices, it is vital to cooperate with a variety of stakeholders, such as our trading partners, and more attention should be paid to this.

"Many of our customers know what they're looking for, and often know how to find that information themselves. Social media reaches the majority of Alko's customers, and all interested parties can read more about the topic on, for example, our website: [alko.fi](http://alko.fi). Of course, not everyone uses social media, so we could contact these customers through more traditional channels. For example, an environmentally themed issue of our magazine, *Etiketti*, would reach and influence both staff and customers," Maarit suggests.

"There's a vast amount of environmental information available in a variety of channels – so much that it can sometimes be difficult to pick out the essentials. It's important for staff to be knowledgeable, develop their competence, and follow shop guidelines. I also think it's important to consider *what I can do to make an impact today*," says Maarit.

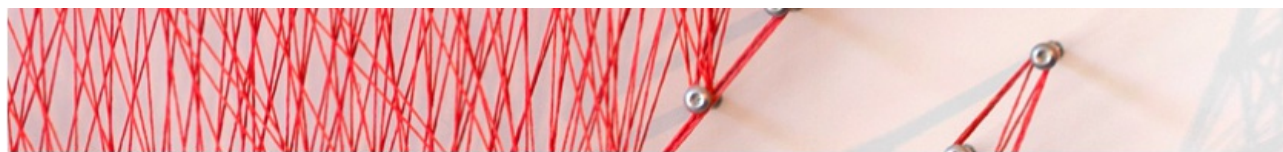
Maarit joined Alko as a seasonal salesperson in 2007 and currently works at our shop in the Keljo shopping centre in Jyväskylä. Whilst working, Maarit has been studying in a number of areas, such as cultural politics and travel, and is currently studying to become an art teacher at the University of Lapland.



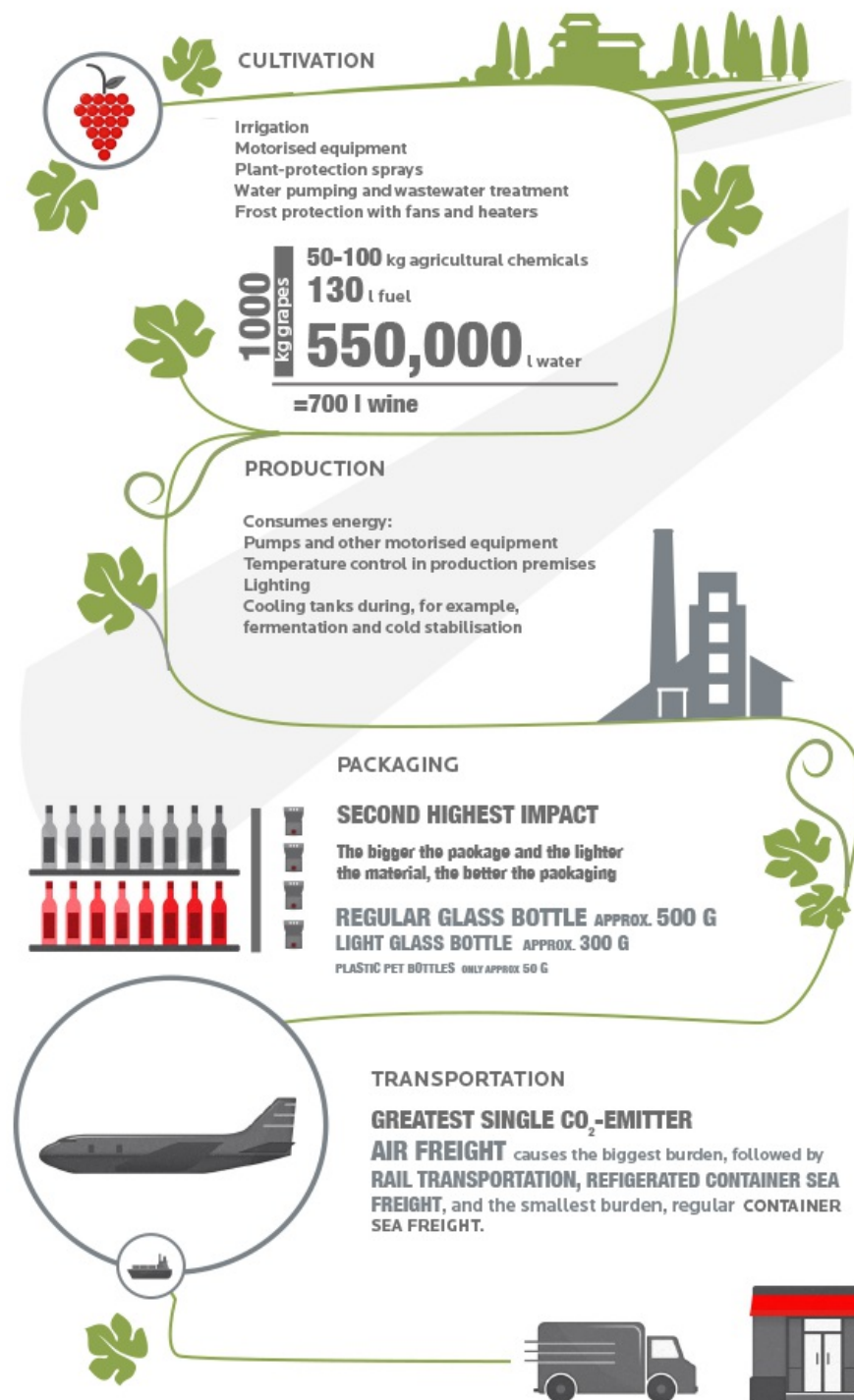
"She wants to make our shared environmental values more visible in everyday life at our shops."



## Case: The environmental impact of wine production



### Alko is studying: The environmental impact of wine production





*In September 2015, Alko's Product Communications Manager, Taina Viikuna, became the third Finn ever to receive the title of Master of Wine. The degree is awarded to those with a profound knowledge of the wine industry and involves a no-less-than five-day theory exam on grape cultivation, wine production, and the wine business. During her studies, Viikuna has also learnt about the environmental impact of wine production.*

*"Customers are becoming increasingly interested in the environmental impact of the products they buy. Unfortunately, it's not yet possible to give a categorical answer on, for example, the impact that different types of wine have on the environment. There are certain trends, and I've collected some data over the years," says Taina Viikuna.*



"To produce a ton of grapes, you need about 50–100 kg of agricultural chemicals, 130 litres of fuel, and 550,000 litres of water. A ton of grapes yields about 7 hectolitres of wine. A relatively large carbon footprint is one of the most significant environmental impacts of grape cultivation. The combined global carbon footprint of wine production and transportation corresponds to the annual volume of fuel consumed by about a million cars. That's about 0.08 per cent of the world's annual greenhouse gas emissions," says Viikuna.

Vineyards consume energy and emit greenhouse gases at many stages of production. Tractors and other motorised equipment burn fuel. The volume and

type of fuel – diesel or biodiesel – and the amount of solar energy that is harnessed affect total loading.

The spreading of chemicals during cultivation affects carbon emissions in two ways: both through the production of the chemicals and the energy used to spread them.

A wide range of activities require energy: pumping irrigation water, treating wastewater, frost protection (for example, with fans and heaters), controlling the temperature in wine production premises, lighting, pumping the wine itself, and cooling tanks during fermentation and cold stabilisation.

One interesting detail is how some wine producers use the carbon dioxide that is emitted during fermentation: it is recovered and used as a gas blanket to prevent oxidation during the production process. This carbon dioxide does not increase emissions when released, as the grapes originally absorbed it from the atmosphere during photosynthesis.

Transportation has the greatest single impact. Air freight generates the most loading, followed in order of magnitude by road transport, rail transport, sea transport in refrigerated containers, and sea transport in unrefrigerated containers. However, as is the case for many products, it is those final kilometres that have the greatest impact – the ones that customers cover in their own cars.

The easiest way to reduce carbon dioxide emissions would be to change how wines are packaged and transported. The least emissions would result from sea freight in large 25,000-litre flexitanks – akin to huge bag-in-box wine packages – followed by bottling/packaging at the destination. The loading caused by glass bottles could be reduced by lightening the weight of bottles from 500 to 300 grams. Plastic PET bottles are the lightest of all, with an approximate weight of only 50 grams. A ship loaded with boxed wine would weigh less than a third of a ship carrying the same amount of wine in bottles. Generally speaking, the larger the package size, the smaller the carbon footprint.

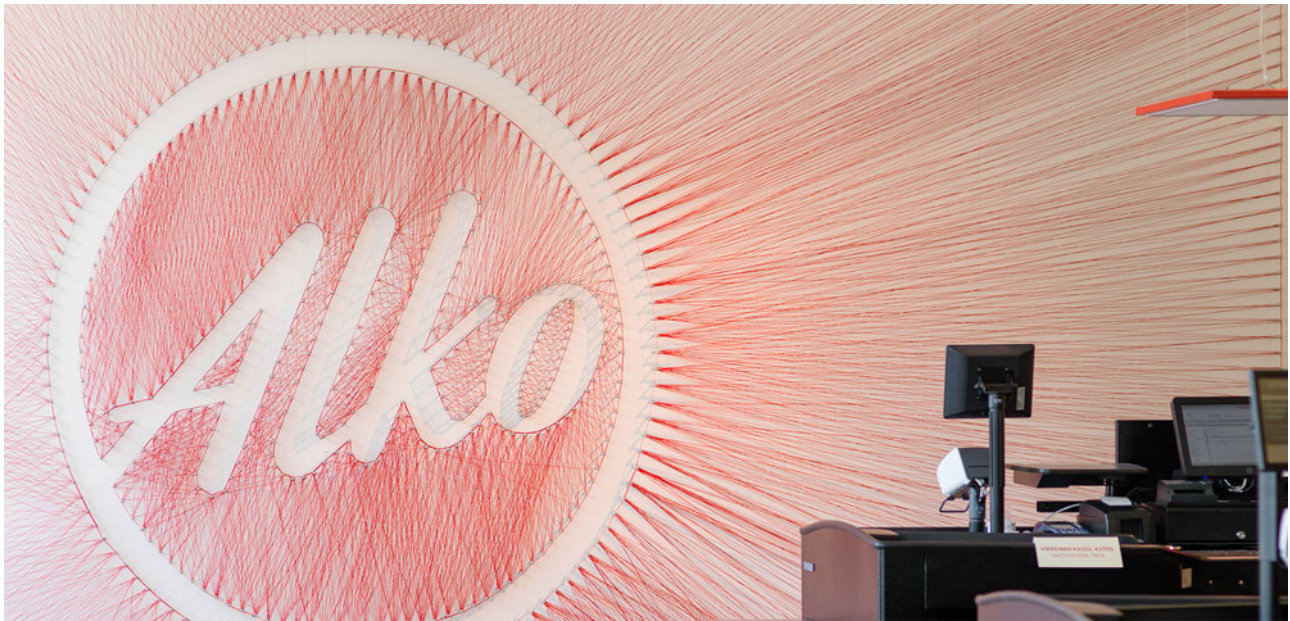
Organic or biodynamic grape cultivation does not automatically mean a smaller carbon footprint. However, these approaches do seek other favourable effects on the immediate environment and ecosystem, and also on the quality of the water used by surrounding communities. However, avoiding the use of synthetic pesticides and other chemicals results in higher fuel consumption, usually diesel, if the land is worked with motorised machines rather than horses. Processes also need to be very accurate. If the composts used in organic cultivation are not handled properly, they can emit greenhouse methane into the atmosphere – gases that are worse than carbon dioxide.

In 2016, Alko will be conducting further research to better understand the environmental impacts of producing wine and other beverages. Our goal is to generate information that can be used during our purchasing processes.





## Management



## Management

[Alko Inc's corporate governance](#)

[Annual General Meeting and Supervisory Board](#)

[Board of directors](#)

[Management team](#)

[Benefits, bonuses and remuneration](#)

[Internal supervision, risk management and internal auditing](#)

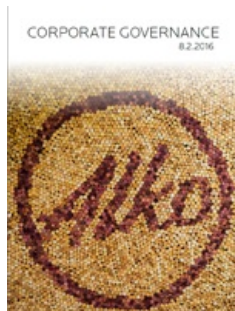


## Alko Inc's corporate governance



Alko Inc. is a limited company owned by the Finnish Government. Alko's business activities are based on the Alcohol Act (1143/1994) and the Decree on the Operation of the Alcohol Company (243/2000), as well as on the Companies Act and Alko Inc.'s Articles of Association. According to the Alcohol Act, Alko Inc.'s task is to carry on, with certain exceptions, the retail trade of alcoholic beverages prescribed exclusively for it, while aiming to prevent the adverse effects of alcohol consumption.

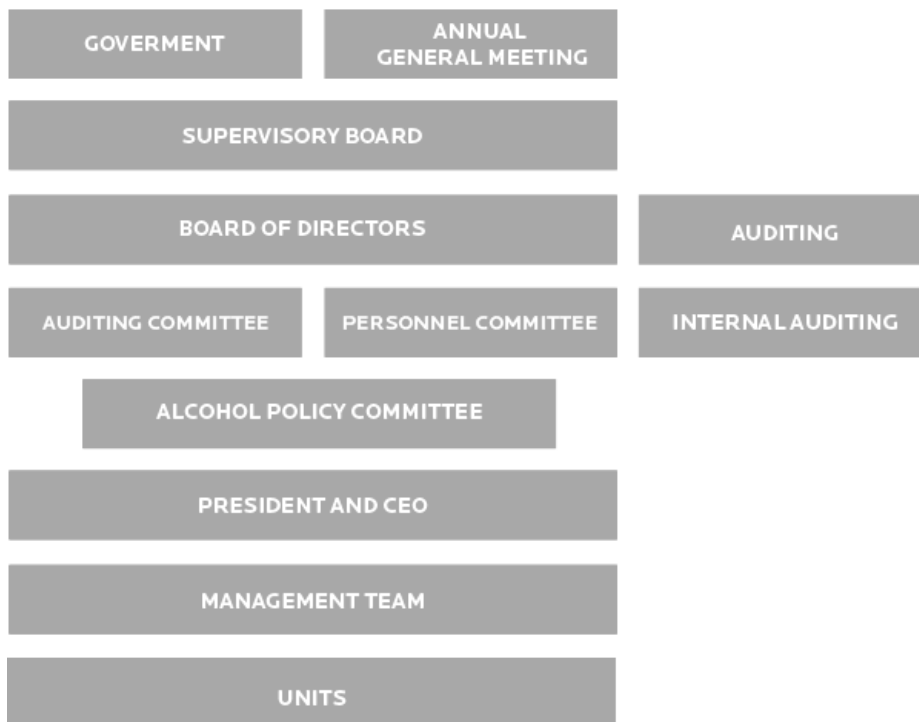
The Ministry of Social Affairs and Health is responsible for the ownership, steering and supervision of Alko Inc. due to the special task assigned to Alko Inc. by law. The Ministry of Social Affairs and Health adheres to the Ownership Steering Act (1368/2007) and cooperates with the Ownership Steering Department of the Prime Minister's Office.



[Alkon corporate governance 2015](#)



## Organization







## Annual General Meeting 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, in accordance with the Companies Act, decides on such matters as approval of the financial statements, profit distribution, exemption from liability, the election and fees of the members of the Supervisory Board and the Board of Directors, and auditors and their remuneration, as well as on whether to amend the Articles of Association.

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

### Supervisory board

Alko's Supervisory Board consists of twelve members, which the Government appoints for four calendar years at a time. The Government also appoints the Chairman and the Vice Chairman.

The work of the Supervisory Board is carried out according to the principles in the Supervisory Board's approved rules of procedure.

The Supervisory Board's tasks are as follows:

- to ensure that the company's affairs and administration are handled according to sound business principles, with an eye to profitability, and that the law, the provisions of the Articles of Association, the decisions of the Annual General Meeting and other approved instructions are complied with
- 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, issue general guidelines on the development of the alcohol company's operations
- to confirm the action plan aimed at preventing the adverse effects of alcohol in accordance with Section 1 of the Decree on the Operation of the Alcohol Company (243/2000)
- to provide the report referred to in Section 36 Paragraph 1 Subparagraph 2 of the Alcohol Act on the development of the company's retail sales and the measures that the company has initiated in the manner required by the Act and
- to give the Annual General Meeting a statement concerning the company's financial statements and auditors' report.

The Supervisory Board of 2016-2019 consists of Vesa-Matti Saarakkala (Chairman) and Anna-Maja Henriksson (Vice Chairman) and, as members, Tuula Haatainen, Susanna Huovinen, Antti Kaikkonen, Osmo Kokko, Pauli Kiuru, Ulla Parviainen, Aino-Kaisa Pekonen, Tuomo Puumala, Päivi Räsänen and Sari Sarkomaa. Director Kari Paaso represents the Ministry of Social Affairs and Health. Representation of the Ministry of Social Affairs and Health on the Supervisory Board is decreed by Section 38 of the Alcohol Act.

The Supervisory Board meets approximately five times a year.

## Board of directors



### Harri Sailas

b. 1951

Chairman of the board

Master of Economics and Business Administration

Member of the Board since 2014

Current employment of trust:

Finavia Corporation, Chairman (2015-)

Finnvera Corporation, Member of the Board (2015-)

The Helsinki Deadconess Institute Foundation, Member of the Board of Trustees (2015-)

### Kirsi Varhila

b. 1961

Vice Chairman

Master of Political Science

Director General, Ministry of Social Affairs and Health

Member of the Board since 2014

Current employment of trust:

Huoltovarmuuskeskus, Member of the Board (2014-)



**Sari Aalto-Matturi**

b. 1966

Member of the Board

Licentiate in Political Science

Executive Director Ehkäisevä päihdetyö EHYT ry

Member of the Board since 2012

Current employment of trust:

SOSTE Finnish Society for Social and Health, Vice Chairman (2015-), Member of the Board (2012-)

A-Clinic Foundation, Supervising Commission, Member (2013-)

Sosped Säätiö (Foundation), Member of Board (2012-)

**Juhani Eskola**

b. 1951

Member of the Board

Doctor of Medicine and Surgery

Director General, National Institute for Health and Welfare

Member of the Board since 2015

Current employment of trust:

International Vaccine Institute, Member of the Board (2009-)

**Leila Kostainen**

b. 1950

Member of the Board

Master of Laws

Member of the Board since 2012

Current employment of trust:

Väinö Tanner Foundation, Member of the Board (2009-)

Lexman Oy, Member of the Board (1995-)

**Kuisma Niemelä**

b. 1958

Member of the Board

Master of Philosophy, D.Sc (Econ.) h.c.

Member of the Board since 2014

Current employment of trust:

Oriola-KD Oyj, Member of the Board (2014-)

Joutsen Finland Oy, Member of the Board (2014-)

Puls Nutrition Oy, Chairman of the Board (2014-)

Partiosäätiö - Scoutstiftelsen rs, Member of the Board of Trustees (2013-)

Huoltovarmuusneuvosto, Member of the Board (2010-)

**Jarmo Väisänen**

b. 1951

Member of the Board

Licentiate in Political Science

Senior Financial Counsellor

Prime Minister's Office Member of the Board since 2014



Current employment of trust:

Finrail Oy, Member of the Board (2015-)

Suomen Erillisverkot Oy, Chairman (2011-)

Gasum Oy, Chairman of the Supervisory Board (2010-)

Personnel representative

**Riina Väntsi**

b. 1973

Chairman of Alkoholialan Toimihenkilöt ry

Personnel representative

**Mikko Eronen**

b. 1978

Acting Chairman of the ALV Union

## BOARD OF DIRECTORS

The Annual General Meeting elects the Chairman and Vice Chairman of the Board and a minimum of three and a maximum of six members. A Board member's term of office lasts from his/her election until the end of the following Annual General Meeting. Two personnel representatives take part in the meetings. The Annual General Meeting is convened on the invitation of the Chairman or the Vice Chairman of the Board.

The work of the Board of Directors is carried out according to the principles in the Board of Directors' approved rules of procedure.

The key tasks of the Board of Directors are as follows:

- to direct and oversee the company in accordance with the decisions of the Annual General Meeting, the Companies Act and the Articles of Association
- to direct and oversee the company in accordance with alcohol-related statutes and to strengthen the company's strategy
- to approve the annual action plan and budget and to oversee their implementation
- to approve significant investments as well as the acquisition and sale of real-estate shares
- to strengthen the principles of internal monitoring and supervise their implementation and sufficiency
- to strengthen the principles of risk management
- to strengthen the internal audit directive and the annual plan
- to supervise the independence and work of the auditors and prepare a proposal on the election of the auditors for the Annual General Meeting
- to consider and approve the interim reports, the annual report and the financial statements
- to decide on the company's organisational structure and management system
- to appoint and relieve from their posts the President & CEO, the President & CEO's deputy and other members of the Management Team
- to decide on the salaries and other benefits of the President & CEO and the members of the Management Team
- to approve an incentive scheme for management and personnel
- to consider the results of the company's workplace atmosphere surveys
- to approve the company's corporate governance and the operating procedures of the Board of Directors and the committees, and to review their contents annually
- to consider the reports of the committees of the Board of Directors
- to consider matters presented by the members of the Board or the President & CEO
- to address issues related to regulatory control.

On 27 April 2015 the Annual General Meeting elected Harri Sailas as a Chairman to Alko's Board of Directors and Kirsi Varhila as Vice Chairman. Sari Aalto-Matturi, Juhani Eskola, Leila Kostainen, Kuisma Niemelä and Jarmo Väisänen were elected as Members of the Board.

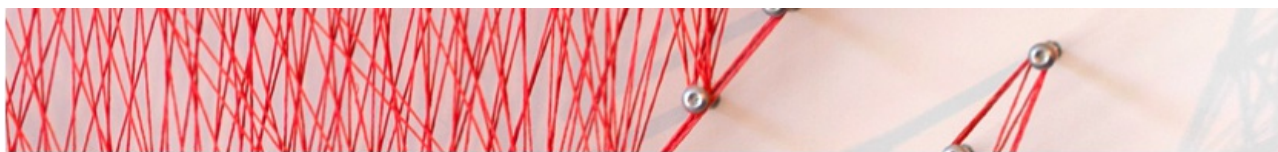


Personnel representatives Riina Väntsi, Marko Säkkinen until 14 September 2015 and Mikko Eronen since 15 September 2015, will attend the meetings of the Board of Directors without the right to vote. More detailed information regarding the Members of the Board is appended to this report.

The Board meets approximately ten times a year. The Board evaluates the effectiveness of its activities annually, as well as its procedures and success in accomplishing its task. The Board members are independent of the company. Kirsi Vahila works for the Ministry of Social Affairs and Health and Jarmo Väisänen works for the Ownership Steering Department of the Prime Minister's Office. Participating in Board meetings are President and CEO Hille Korhonen, Executive Vice President (Finance) Anton Westermarck and Executive Vice President (Communication and Social Responsibility) Maritta Iso-Aho as Secretary to the Board (Legal Counsel Jonna Björklund as of 1st of September 2015).



## Committees board of directors



### Committees board of directors

Alko Inc.'s Board of Directors has three committees: the Audit, Personnel and Alcohol Policy committees. The Board appoints the Chairman of the committees and the members to each one. The Board has established rules of procedure for each committee, which include the central tasks and principles for the committee.

#### Auditing Committee

The Auditing Committee assists the Board of Directors in managing the supervision tasks that it has been assigned.

The Auditing Committee's tasks are as follows:

- to oversee the financial reporting process
- to evaluate the sufficiency and functionality of internal auditing and risk management
- to oversee internal auditing activity
- to process and evaluate auditing and auditor-related matters to ensure compliance with laws, regulations and other provisions.

The committee consists of at least three and at most five members of the Board of Directors. The Chairman of the committee must have sufficient knowledge of accounting practices. The President & CEO and the Chief Financial Officer act as the committee's presiding officers, while the Auditing Director acts as secretary for the committee. The Auditing Committee meets approximately five times a year.

The Auditing Committee consists of Chairman Kuisma Niemelä, members Leila Kostiainen and Jarmo Väisänen. Presiding officers Hille Korhonen and Anton Westermarck and Auditing Director Heli Rivari as Secretary.

#### Personnel Committee

The function of the Personnel Committee is to assist the Board of Directors in supervising and preparing the company's personnel policies and practices as well as in the development of the organisation, in addition to assisting the Board of Directors in all the tasks related to remuneration schemes and employment relationships. The committee consists of three members from the

Board of Directors.

The company's President & CEO acts as the Presiding Officer

and the director responsible for personnel acts as the Secretary of the Committee. The Personnel Committee meets approximately six times a year.

The Personnel Committee consists of Chairman Harri Sailas, members Leila Kostiainen and Jarmo Väisänen. Presiding Officer Hille Korhonen and Secretary Tytti Bergman.

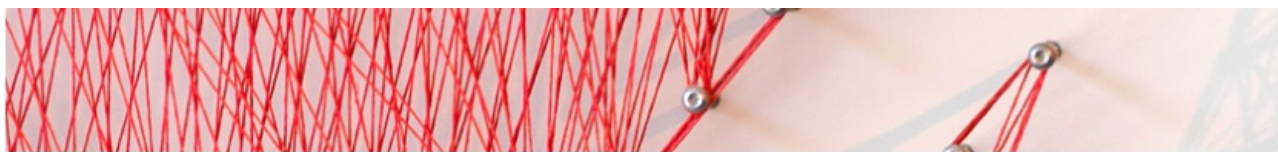
#### The Alcohol Policy Committee

The task of the Alcohol Policy Committee is to assist and support 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 related legislation. The committee consists of one member from the Board of Directors, two representatives from the Ministry of Social Affairs and Health and one representative from the company. The director responsible for corporate relations acts as the secretary for the working group. The Alcohol Policy Committee meets approximately five times a year.

The Alcohol Policy Committee consists of Chairman Kirsi Varhila, members Sari Aalto-Matturi, Juhani Eskola and Kuisma Niemelä and by invite expert Ismo Tuominen (Ministry Representative) and Hille Korhonen, with Maritta Iso-Aho as Secretary.



## GRI G4 supplements



### Corporate responsibility reporting in accordance with the GRI guidelines

#### Governance structure and composition

##### G4-35 Process for delegating authority for sustainability topics

Corporate responsibility issues dealt with by the Board of Directors

- Alko Inc's Annual General Meeting, where the Minister of Family Affairs and Social Services represents the government, elects a chairman and vice chairman for the Board of Directors as well as three to six members. The composition of the Board emphasises the special monopoly position of the company and its responsibilities, especially from the perspective of alcohol policy.
- In 2015, the following issues, among others, were considered and approved at meetings of the Board of Directors:
  - The company's strategy. One of the company's four strategic focus areas is to be a responsible player in the community.
  - Budget and operating plan. The main aspects of responsibility projects for the succeeding year are presented at executive level at least.
  - Key HR issues.
  - The company's alcohol policy projects and monitoring them.
  - Contents and principles of the Corporate Social Responsibility Report.
  - Tax reporting.

##### G4-37 Process for consultation between stakeholders and the highest governance body

- Dialogue between stakeholders and the Board of Directors on corporate responsibility issues. Alko's Supervisory Board consists of 12 members, whom the Government appoints for four calendar years at a time. The Supervisory Board is one of the major stakeholders. Its tasks include:
  - To ensure that the company's affairs and administration are handled according to sound business principles, with an eye to profitability, and that the law, the provisions of the Articles of Association, the decisions of the Annual General Meeting and other approved instructions are complied with.
  - 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, issue general guidelines on the development of the alcohol company's operation.
  - To confirm the action plan aimed at preventing the adverse effects of alcohol in accordance with Section 1 of the Decree on the Operation of the Alcohol Company (243/2000).
  - To provide the report referred to in Section 36 Paragraph 1 Subparagraph 2 of the Alcohol Act on the development of the company's retail sales and the measures that the company has initiated in the manner required by the Act and
  - To give the Annual General Meeting a statement concerning the company's financial statements and auditors' report.

##### G4-38 Composition of the highest governance body

Corporate responsibility-related expertise on the Board of Directors.

- Presentation of the composition of the Board and its committees.
  - Independence of members: The members of the Board of Directors are independent of the company.
  - Length of term of office: A Board member's term of office lasts from his/her election until the end of the following Annual General Meeting.



- Other significant duties and commitments of Board members: Kirsi Varhila is employed by the Ministry of Social Affairs and Health, Jarmo Väisänen by the Ownership Steering Department of the Prime Minister's Office and Juhani Eskola by the National Institute for Health and Welfare
- Members of the Board are especially knowledgeable about alcohol policy and the adverse impacts of alcohol due to their duties and/or experience.
- Personnel (stakeholder) representatives: Two employees' representatives participate in Board of Directors' meetings.

## G4-40 Selection processes for the highest governance body

Accounting for expertise related to corporate responsibility in the election of the Board of Directors.

The Ministry of Social Affairs and Health is responsible for the ownership steering of Alko Inc. The Minister of Family Affairs and Social Services represents the entire share capital of the company at the Annual General Meeting at which the Board of Directors, its Chair and its Vice Chair are elected on an annual basis. The company's special position as a monopoly, its duties related to alcohol policy and the importance of corporate responsibility issues are strongly taken into account in the composition of the Board of Directors. [Link to Rules on Corporate Governance.](#)

## G4-42 Highest governance body's role in setting the purpose, values and strategy of the organisation

Highest governance body's role in corporate responsibility.

- Alko Inc's management prepares the corporate strategy, action plan, policies and objectives for financial, social and environmental responsibility, which are updated on an annual basis. Committees of the Board of Directors relevant to each topic discuss proposals that are presented to the Board of Directors for approval. Policies regarding the company's internal guidelines and Corporate Governance are considered and updated by the Board of Directors on an annual basis.
- Description of the responsibility organisation.
  - Strategic steering groups on responsibility:
    - The most responsible service company in Finland, Chair: Executive Vice President, Communication.
    - The best workplace in Finland, Chair: Executive Vice President, Human Resources.
    - An efficient chain of specialty stores, Chair: CFO.
  - The responsibility team of the Communications unit is responsible for responsibility measures and their development.

## G4-43 Highest governance body's collective knowledge

Importance of corporate responsibility issues in determining the competence of the Board of Directors.

- The Board of Directors discusses responsibility measures and their results on a regular basis in meetings.

## G4-44 Evaluation of the highest governance body's performance

Importance of corporate responsibility issues in assessing the performance of the Board of Directors.

- The Board of Directors carries out a self-assessment each year in accordance with its working order, in which one question is whether the Board has a clear picture of the company's social responsibility measures. Exceptionally, the Board did not conduct a self-assessment in 2015.

## G4-48 Approval of the social responsibility report

- The Communications unit prepares and produces Alko's CSR report in cooperation with other units.



- The Communications unit is responsible for ensuring that the report takes essential perspectives into account. The "responsible player in the community" steering group reviews the structure of the CSR report.
- The Board of Directors and its Audit Committee review the structure of the report prior to its publication.

## G4-49-50 Critical concerns communicated to the highest governance body

Communicating corporate responsibility shortcomings to the Board of Directors.

- Alko's Board of Directors was notified of a case in which a supplier reported that a certain wine may contain glass fragments. Sales of the product at Alko were immediately halted.

## G4-51 Remuneration policies for the highest governance body and executives

New reportable aspects of how remuneration is linked to performance in sustainable development.

- Members of the Board of Directors receive monthly fees and meeting fees in line with a decision taken by the Annual General Meeting.
- At most, the fees paid to the Management Team account for 15% of their annual earnings. The objectives of all Management Team members are the same:
- The best customer experience in Finland: ranking among service companies (National customer service feedback survey) and customer experience index – weighting of 25%
- The most responsible service company in Finland: Responsibility mystery survey, ranking in the retail, service and finance category (Reputation and responsibility) – weighting of 25%
- Best workplace in Finland: Employee experience index, ranking in the large companies' category (Great Place to Work) – weighting of 25%
- An efficient chain of specialty stores: Cost/net sales (%) (compared with the goal) – 25%

## G4-52 Process for determining remuneration

Importance of corporate responsibility in remuneration.

- Description of the company's incentive system.
- The indicators used for the incentive system for 2015 are based on the objectives of Alko's strategic focus areas: customers, responsibility, staff and operational efficiency.
- Responsibility is an incentive indicator for all staff groups. A responsibility indicator is chosen to match the tasks of each employee group:
  - regional managers, regional coordinators, shop managers, sales staff: alcohol policy responsibility: targets for supervision of age limits and intoxication
  - regional managers, regional coordinators, shop managers, sales staff: alcohol policy responsibility: mystery survey on responsibility
  - managers, experts and employees at the head office: reputation and responsibility survey, responsibility TRI\*M index.
- The incentive system is devised in-house, not with the help of external incentive consultants.

## G4-53 Process for seeking stakeholder views regarding remuneration

Accounting for stakeholders when deciding on remuneration practices.

- The responsibility TRI\*M index is one of the criteria applied to the incentive system for head office employees and the Management Team. 530 Finns responded to the survey performed by TNS Gallup on a number of aspects of social responsibility within Alko. Sampling for the survey is balanced on the basis of age, gender and the region in which the population in question resides.



#### G4-56 Values, principles, standards and norms of behaviour of the reporting organisation

##### Description of Code of Conduct practices.

Code of Conduct: The entire staff has undergone training on the company's Code of Conduct, which has been approved by the Board of Directors. The Code of Conduct covers the following themes: integrity and legality, business integrity and anti-corruption measures, conflicts of interest, good governance, business relations, a functioning work community, confidentiality and compliance with the Code of Conduct and business practices.

1. BSCI's Code of Conduct: All Alko suppliers are required to endorse the BSCI Code Of Conduct for the supply chain, by signing a commitment of compliance. Based on international agreements and covenants, the Code of Conduct covers the following: the right to freedom of association and collective bargaining, fair remuneration, occupational health and safety, special protection for young workers, banning of bonded labour, ethical business behaviour, banning of discrimination, decent working hours, banning of child labour, promotion of steady employment, and environmental protection.
2. Rules for interaction with suppliers: Rules governing interaction between Alko purchasing staff and suppliers, and Alko shops and suppliers, have been prepared in order to secure fair cooperation with suppliers.

#### G4-57 Mechanisms for seeking advice on ethical and lawful behaviour

##### Description of the Code of Conduct practices.

- The Communications unit and the company's legal counsel provide advice concerning ethical and lawful operations.

#### G4-58 Mechanisms for reporting concerns about ethical and lawful behaviour

##### Description of Code of Conduct practices.

- BSCI's grievance mechanism

## Management team



### **Hille Korhonen**

b. 1960  
Licentiate in Technology  
President and CEO  
In service to the company since 2013

### **Minna Alitalo**

b. 1962  
Master of Economics and Business Administration  
Executive Vice President, Purchases  
In service to the company since 2009

### **Tytti Bergman**

b. 1969  
Master of Economics and Business Administration  
Executive Vice President, Human Resources  
In service to the company since 2013

### **Maritta Iso-Aho**

b. 1964  
Master of Administrative Sciences eMBA  
Executive Vice President, Communications  
In service to the company since 2008



### **Paula Kujansivu**

b. 1976

Adjunct Professor, D.Sc. (Tech.), M.Sc.

Vice President, Online and Supply Chain

In service to the company since 2012

### **Kari Pennanen**

b. 1964

Master of Social Sciences, eMBA

Executive Vice President, Stores and Facilities

In service to the company since 1989

### **Anton Westermarck**

b. 1968

Master of Economics and Business Administration

Chief Financial Officer

In service to the company since 2014

More information from [corporate governance](#).

## **AUDITOR**

### **Lasse Holopainen**

b. 1960

Head Auditor

KPMG Oy Ab APA

The Management Team at Alko consists of seven members. Alko's Board of Directors appoints the President & CEO, the President & CEO's deputies and the other members of the Management Team.

Alko's Management Team assists the President & CEO in leading the company and in implementing its strategic and operational objectives. The Management Team handles the company's strategy and its action plan and budget, as well as other matters 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 company's Management Team consists of President & CEO Hille Korhonen, Deputy CEO, Executive Vice President, Stores and Facilities Kari Pennanen, Vice President, Online and Supply Chain Paula Kujansivu, Executive Vice President, (Purchases) Minna Alitalo, Executive Vice President (Human Resources) Tytti Bergman, Executive Vice President, Communications Maritta Iso-Aho and Chief Financial Officer Anton Westermarck.

The Management Team meets regularly on average twice a month. More detailed information regarding the members of the Management Team is appended to this report.



## Benefits, bonuses and remuneration



The Annual General Meeting has decided upon the following meeting fees for the Supervisory Board:

- Chairman's meeting fee: EUR 1,000
- Vice Chairman's meeting fee: EUR 800
- Members' meeting fee: EUR 700

The Annual General Meeting has decided upon the following monthly fees decided for the Board of Directors:

- Chairman's monthly fee: EUR 2,750
- Vice Chairman's monthly fee: EUR 1,300
- Members' monthly fee: EUR 1,100

Moreover, the Annual General Meeting has decided that a meeting fee of EUR 600 will be paid to the members of the Supervisory Board and to members of committees established by the Board of Directors for attending a Board or Committee meeting.

Alko's system of remuneration aims to support the achievement of the company's strategic objectives. The Board annually decides on the principles and performance targets of the incentive schemes for the personnel and the Management Team based on a proposal made by the Personnel Committee. The Board annually approves the Management Team's fees.

The Management Team's incentive scheme is based on strategic targets and on indicators describing their attainment, as well as on personal strategic development targets. The 2015 incentive bonus is set at most to 15% of the annual salary.

The purpose of the incentive scheme for the personnel is to encourage Alko employees to achieve the strategic goals of the company. The starting point for the incentive scheme is group- specific rewards. The 2015 incentive bonus is, depending on the job concerned, limited to 6 - 12% of the annual salary.



## Salaries and remuneration



### Salaries and remuneration 2015

According to the decisions made at the Annual General Meetings of 27 May 2014 and 27 April 2015, fees for meeting attendance will be paid to Supervisory Board members present at Supervisory Board meetings as follows:

- Chairman of the Board 1,000 euros
- Vice Chairman of the Board 800 euros
- Members of the Supervisory Board 700 euros

In 2015, the Supervisory Board convened five times and its members were in attendance as follows:

MEMBER OF THE SUPERVISORY BOARD	PARTICIPATION IN MEETINGS, %	FEES, EUR
Sari Sarkomaa	100	5,000
Eila Tiainen	100	4,000
Anne Holmlund	100	3,500
Reijo Hongisto	100	3,500
Arja Juvonen	80	2,800
Saara Karhu	100	3,500
Pauli Kiuru	100	3,500
Mats Nylund	80	2,800
Heli Paasio	80	2,800
Leena Rauhala	100	3,500
Markku Rossi	80	2,800
Simo Rundgren	100	3,500
In total	92	41,200

The fees are reported in accordance with the meetings held during the year.

The Annual General Meetings decided on the following fees for the Board of Directors in 2015:

.....  
This PDF may not be as comprehensive as the full Alko Annual and Corporate Social Responsibility report



- Chairman of the Board EUR 2,750 per month
- Vice-Chairman of the Board EUR 1,300 per month
- Member of the Board EUR 1,100 per month
- plus meeting fees, EUR 600.

The Board convened 10 times and the members were in attendance as follows:

MEMBER OF THE BOARD (*)	PARTICIPATION IN BOARD MEETINGS, %	MONTHLY FEES, EUR	BOARD MEETING FEES, EUR	COMMITTEE MEETING FEES, EUR	FEES IN TOTAL, EUR
Harri Sailas, Chairman	100	33,000	6,000	4,800	43,800
Kirsi Varhila, Vice Chairman	90	15,600	5,400	3,000	24,000
Sari Aalto-Matturi, member	90	13,200	5,400	3,000	21,600
Juhani Eskola, member from 27 April	86	8,800	3,600	1,200	13,600
Leila Kostianen, member	100	13,200	6,000	7,200	26,400
Kuisma Niemelä, member	100	13,200	6,000	6,000	25,200
Harri Vainio, member until 27 April	100	4,400	1,800	4,200	10,400
Jarmo Väisänen, member	90	13,200	5,400	6,000	24,600
In total	94	114,600	39,600	35,400	189,600

\*) Pursuant to Chapter 5(1)(2) of the Companies Act, Susanna Huovinen, Minister of Health and Social Services, appointed Harri Sailas, President and CEO, as Chairman of the Board and Kirsi Varhila as Vice Chairman of the Board on 19 December 2014.

The fees are reported in accordance with the meetings held during the year.

Board members participated 92% of all meetings of committees appointed by the Board.

## Management team and staff incentive system

Alko's incentive system supports the attainment of the company's strategic objectives. The Board decides annually on the principles applied to the incentives and performance targets for the staff and Management Team, on the basis of a proposal by the Staff Committee. The Board approves the remuneration paid on an annual basis.

The staff incentive scheme is intended to encourage Alko employees to achieve the strategic objectives (in terms of customers, responsibility, staff and operational efficiency). The incentive system is based on rewarding staff on a team basis. In 2015, incentive pay amounted to a maximum of 6 to 12 per cent of the annual salary, depending on the recipient's job description.

The management team's incentive system is based on objectives chosen from the company strategy (customers, responsibility, staff and operational efficiency) and indicators for monitoring their realisation. In 2015, the incentive pay amounted to a maximum of 15 per cent of the annual salary.



## Remuneration for the President and CEO and the Management Team

The Remuneration Committee decides on remuneration for the President and CEO and the Management Team. The management's remuneration complies with the comments on remuneration for the company's management and key personnel issued by the Ministerial Committee on Economic Policy on 13 August 2012.

	TOTAL SALARY, EUR (SALARY IN MONEY)		SHORT-TERM INCENTIVE, PAID ANNUALLY, EUR		BENEFITS IN KIND		TOTAL, EUR (SALARY IN MONEY + INCENTIVE + BENEFITS IN KIND)	
	2015	2014	2015	2014	2015	2014	2015	2013
President and CEO	381,939	380,195	31,314	42,531	18,835	20,419	432,088	443,145
Other members of the Management Team	1,002,966	1,012,994	82,748	85,205	48,904	49,277	1,134,618	1,314,746
In total	1,384,905	1,393,189	114,062	127,736	67,739	69,696	1,566,706	1,590,621

	RETIREMENT AGE	PENSION BENEFITS	PERIOD OF NOTICE	SEVERANCE PAY IN ADDITION TO PAY FOR THE PERIOD OF NOTICE
President and CEO	63 years.	Pension in line with earnings-related pension scheme legislation	By the President and CEO 6 months, and by the company 6 months 6 months	6 months' salary
Other members of the Management Team	One member 61 years.  Three members Retirement age in line with the earnings-related pension scheme legislation (TyEL)	66% of annual wages serving as the basis for the calculation of pension  TyEL insurance and additional pension based on 10% of annual salary	By Management Team Member 3 months and by the company 4-6 months	-



Two members  
Retirement age in line with the earnings-related pension scheme legislation (TyEL) Pension in line with the earnings-related pension scheme legislation (TyEL)

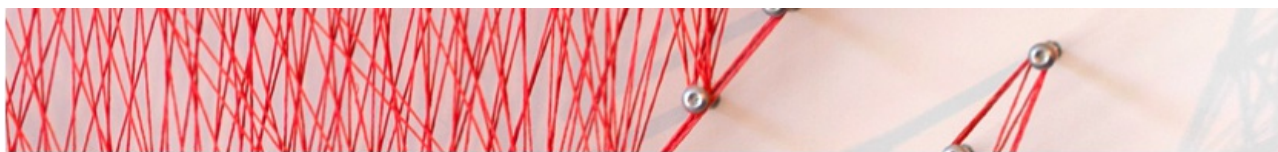
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Annual payments of additional pensions

	2015, EUROS	2014, EUROS
President and CEO	In line with the earnings-related pension scheme legislation (TyEL)	
Other members of the Management Team	82,955	120,971
In total	82,955	120,971



## Internal supervision, risk management and internal auditing



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, reports annually to the European Commission on how fully 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. The report also takes account of a statement made by the Finnish Competition Authority. The National Supervisory Authority for Welfare and Health, Valvira, monitors Alko's retail sales. Any Alko decision concerning the retail of alcoholic beverages can be appealed to Valvira and further to the Supreme Administrative Court.

The Management Team is responsible for the internal supervision of Alko. The purpose of the internal supervision system is to ensure that the operations serve their purpose and are efficient, that economic and operative reporting is reliable, and that the regulations and operating principles are being complied with. The most important aspects of internal supervision include: governance and the organisation culture and reporting and internal communications, in addition to monitoring and supervision.

Alko's financial reporting and related supervision consists of three components, namely: 1) the effective and high-quality recording and processing of transactions, 2) financial reporting regulatory compliance, and 3) financial reporting to support business operations and decision-making. The company's reporting is based on the Finnish Accounting Standards (FAS), as well as on internal reporting related to accounting guidelines and financial rules. The Finance Unit is responsible for the financial reporting process and the development of its supervision practices, as well as for ensuring that financial reporting-related laws and regulations are complied with. The Executive Vice President Finance reports the company's financial results and forecasts at meetings of the Auditing Committee and the Board of Directors.

Alko's values and its business method principles and impartiality guidelines, as well as its instructions on listing alcoholic beverages in its product range and on retail sales, form the basis of the company's management and cooperation with key interest groups.

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, together with the Management Team, is responsible for the risk management policy and its enforcement as well as for ensuring that risk management is arranged appropriately. Alko's risk management is based on systematically and pro-actively analysing and managing threats and opportunities related to its activities. The risks are classified as strategic, operational, economic and accident risks.

The company's internal auditing, in accordance with the operating principles approved by the Board of Directors, evaluates the adequacy and efficiency of Alko's supervision, as well as its risk management, the quality of its operations and its management process. Internal auditing is an independent function that administratively falls under the authority of the 1st Deputy to the President & CEO and reports to the Board of Directors.





## Communications



### Communications

Details about Alko Inc.'s corporate governance can be found on the company's website, [www.alko.fi](http://www.alko.fi). In addition, Alko Inc. publishes details about its corporate governance annually in connection with its annual report and corporate social responsibility report.

### Compliance with the finnish corporate governance code

Alko complies, where applicable, with the Finnish Corporate Governance Code issued on 15 June 2010 by the Securities Market Association. In addition to the corporate governance of Finnish listed companies, Alko Inc. complies with the ownership steering strategy of the Ministry of Social Affairs and Health and the Cabinet Committee on Economic Policy directive on state-owned companies' remuneration and pension schemes given on 13 August 2012 and the Government Resolution on State Ownership Policy given on 3 November 2011.

Deviations from the Finnish Corporate Governance Code result from the company's ownership structure: the company has one shareholder and the company's shares are not publicly quoted, and the company has no share-based bonus or incentive schemes. The deviations are with regard to the following recommendations, identified in brackets, contained within the Corporate Governance Code: recommendation 1 (publishing information on general meetings), recommendation 3 (attendance of the Board of Directors and auditor at a general meeting), recommendation 4 (attendance of a prospective director at a general meeting), recommendation 11 (notification of director candidates), and recommendation 55 (some of the above-mentioned deviations depart from the disclosure of information on the company website).



## Financial statement

### Financial statement

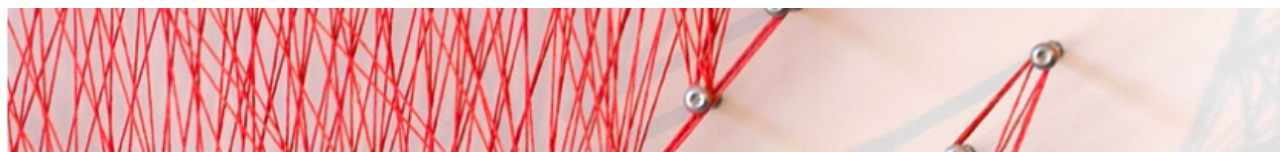
Report of the board of directors

Statement by the supervisory board

Consolidated financial statement



## Report of the board of directors



### REPORT OF THE BOARD OF DIRECTORS 2015

Alko's mission is to sell beverages of over 4.7 per cent alc/vol to consumers while considering the harmful effects of alcohol consumption. Responsibility lies at the core of our operations. Alko's strategic objectives are to provide the best customer service, offer the best work, be a responsible player in the community, and operate an efficient chain of speciality stores.

60 (58) per cent of Finns are of the opinion that having a state-owned alcohol monopoly (Alko) with the sole right to sell alcoholic beverages is a good way of limiting the harmful effects of alcohol consumption. 87 (89) per cent were of the opinion that strong alcoholic beverages should only be available from Alko. The majority of the population want sales of wine (50 per cent) and strong beer (51 per cent) to be limited to Alko. This information comes from a survey on alcohol policy opinions in January 2016, in which telephone interviews were conducted with 1,007 Finns. Alko's strategic objectives are to provide the best customer experience, be a responsible player in the community, offer the best work, and operate efficiently.

In 2015, Alko was chosen as the best workplace in Finland in the large companies category of the Great Place to Work competition. Alko is also the best retail chain in Finland for customer service and responsibility. When compared to other service companies, Alko is moving in the right direction. We continually measure and analyse our operations and boost our efficiency. Slow economic growth and low customer confidence reduced both our customer numbers and sales by volume in 2015.

In 2015, Alko launched an extensive range of alcohol-free products, complete with a new sales concept. Our improved offering, combined with health and well-being trends, accelerated sales growth – 95.3 per cent more alcohol-free products were sold than in the previous year.

We diversified our shop network. A range of different business locations, combined with shops of differing sizes and types, cater to our customers' varying needs. Our new-style shops and business locations also meet the requirements of our efficiency and healthy competition programme.

### Key figures

	2015	2014	2013
Net sales, EUR million	1,158.9	1,179.8	1,175.0
Net sales excluding alcohol tax, EUR million	572.7	575.7	583.8
Operating profit, EUR million	49.7	50.5	49.4
Extraordinary items, EUR million			
Income tax on ordinary operations, EUR million	-10.1	-10.5	-12.4
Income tax on extraordinary items, EUR million			
Profit for financial year, EUR million	40.2	40.8	38.2



Income from ordinary operations, EUR million	40.2	40.8	38.2
Return on equity, %	51.7	53.8	53.0
Equity ratio, %	30.3	30.5	27.9
Balance sheet total, EUR million	256.4	253.7	266.6
Gross investments in fixed assets, EUR million	4.7	6.0	6.9
Average number of personnel during the financial year	2,415	2,527	2,610

Alko's net sales including alcohol tax totalled EUR 1,158.9 (1,179.8) million. Net sales excluding alcohol tax were EUR 572.7 (575.7) million. Net sales both including and excluding alcohol tax were down due to a 2.8 per cent decline in sales by volume.

Operating profit came to EUR 49.7 (50.5) million, representing 4.3 (4.3) per cent of net sales including alcohol tax. Fixed costs totalled EUR 152.7 (152.9) million.

Alko's result fell slightly on the previous year, primarily due to a decrease in sales by volume. Fixed costs remained at the same level as in the previous year.

Financial income totalled EUR 0.7 (0.8) million in 2015. Profit for the financial year was EUR 40.2 (40.8) million. The result was better than forecast.

The balance sheet total came to EUR 256.4 (253.7) million. The balance sheet total was up by EUR 2.7 million on the previous year due to a rise in the value of inventories.

The equity ratio stood at 30.3 (30.5) per cent.

The company's total investments amounted to EUR 4.7 (6.0) million. Investments focused on developing our shop network, and strategic and other project-based development programmes.

## Taxation and prices

There were no changes in the excise tax on alcoholic beverages in 2015.

Alko's retail sales prices rose by 0.6 per cent during the year in response to price increases made by our suppliers. Prices were changed in February, June and October.

## Sales trend

According to advance information published by THL, total consumption of alcoholic beverages in 2015 amounted to 10.8 litres of pure alcohol per each resident aged 15 and over. Total alcohol consumption declined by about three per cent year-on-year. Documented consumption of alcoholic beverages decreased by 2.3 per cent and undocumented consumption by 3.3 per cent.

According to a TNS Gallup survey, travellers' private imports of alcohol fell by 4.2 per cent on 2014 when translated into pure alcohol.

Total sales by volume in Alko shops fell to 94.0 (96.7) million litres, representing a year-on-year decrease of 2.8 per cent.



The sales by volume of spirits decreased by 3.5 per cent, mild wines by 2.3 per cent and brewery products by 3.2 per cent.

PRODUCT GROUP	SALES IN 2015, MILLIONS OF LITRES	SALES IN 2014, MILLIONS OF LITRES	YEAR-ON-YEAR CHANGE, MILLIONS OF LITRES	YEAR-ON-YEAR CHANGE, PER CENT
Vodka and similar spirits	14.1	14.6	-0.5	-3.5
Other spirits	7.6	7.8	-0.2	-2.4
Fortified wines	3.1	3.3	-0.2	-6.3
Red wines	24.9	25.7	-0.8	-3.0
White wines	21.1	21.7	-0.6	-2.6
Sparkling wines	5.2	4.9	0.3	5.2
Rosé wines	0.9	0.8	0.1	1.2
Other mild wines	1.8	2.0	-0.2	-9.2
Ciders	0.7	0.8	-0.1	-10.6
Long drinks	5.7	6.1	-0.4	-7.4
Beers	8.6	8.8	-0.2	-1.7
Alcohol-free beverages	0.4	0.2	0.2	95.3
Total	94.0	96.7	-2.7	-2.8
Total, converted to pure alcohol	15.8	16.3	-0.5	-3.1

## Alcohol policy responsibility

Checking age limits, suspected cases of intoxication and suspected handovers of alcohol to minors form part of Alko's responsible customer service. In 2015, 3.7 (3.6) million Alko customers showed proof of their legal age. 0.63 (0.65) million checks of suspected intoxication and 0.3 (0.3) million checks of suspected handovers were also carried out. The success of age-limit checks was measured using a Mystery Shopping survey, which indicated a success rate of 90 (89) per cent.

Alko's 'In the Company of Children' programme created awareness through a variety of channels, such as its Facebook page and elsewhere online, and among early childhood educators in particular. Alko is running the programme in collaboration with the National Institute for Health and Welfare (THL), Mannerheim League for Child Welfare, A-Clinic Foundation, and Finnish Parents' League. We also launched our 'Working life and the harmful effects of alcohol consumption' programme in collaboration with the A-Clinic Foundation, Finnish Association for Substance Abuse Prevention (EHYT), THL, the Centre for Occupational Safety, KELA, and the Finnish Institute of Occupational Health.



## Environmental responsibility and responsible procurement

In order to ensure responsible procurements, Alko continued to conduct inspections of production conditions in high-risk countries. Three audits were performed. The seasonal nature of harvests poses the greatest challenges to safeguarding human and labour rights in the alcoholic beverage industry. No serious ethical violations, such as use of child labour, were observed during the audits.

A total of 10 audits and 11 follow-up audits were performed in collaboration with the Nordic branch of the BSCI. Progress in producers' improvement programmes, which were based on deficiencies detected during our 2014 audits, were monitored through self-assessment and reporting.

All five Nordic alcohol monopolies made a joint visit to Argentina in March. The visit included an official programme with the Swedish and Finnish Ambassadors to Argentina. Our aim was to further strengthen our knowledge base and follow up on earlier discussions with a number of local stakeholders, such as wine producers and civic organisations, during a similar visit in 2011.

Both Systembolaget and Alko organised BSCI training for importers. Alko's BSCI training went through topics such as what to expect from an audit, typical findings, and best practices. There were about 50 participants. Alko also created an online training module on its Code of Ethics, targeted at importers and producers. The module, which was completed in December 2015 and launched in January 2016, can be accessed through our [alko.fi](http://alko.fi) website.

During 2015, scheduled external ISO 14 001 environmental management system audits were performed at head office and 16 shops. 169 (175) internal environmental audits were carried out in Alko shops during the year. Alko is involved in a joint Nordic research project to determine the environmental impacts of the supply chain. This project was launched in summer 2015.

## Products

Alko's product range featured beverages from 64 (61) countries. Beverages were purchased from 161 (125) domestic importers or manufacturers, and from 263 (194) foreign suppliers.

The last price list from 2015 included 2,549 (2,473) alcoholic beverages. As well as buying from the standard selection, consumers may also purchase products from Alko's sale-to-order selection, which in December 2015 contained 1,263 (1,430) products. Alko's flagship store in Helsinki also carries a special selection of about 160 products.

Alko lists new products for sale on a weekly basis. In 2015, we listed 754 (713) new products in our standard selection and 415 in our sale-to-order selection. Alko shops also sell 49 non-alcoholic beverages and a range of accessories.

## Services and customers

At the end of 2015, Alko had a total of 351 (353) stores. Our retail network was supplemented by 94 (97) order points. 57.7 (58.9) million customers visited Alko shops, representing a year-on-year decrease of two per cent.

Alko's customer satisfaction score increased on the previous year. We received a record-breaking score in the Finland Today National Customer Feedback survey: 8.50 (8.45 in 2014). According to the survey, Alko ranked number one for customer experience among retail chains for the fourth year in a row. The survey compared Alko not only to retail chains but also to 30 Finnish service companies. In this group, comprising all surveyed companies, Alko had the fourth most satisfied customers.

## Personnel

Alko had 2,525 (2,611) employees at the end of 2015. In terms of computational work-years, the work done by full-time and part-time employees totalled 1,821 (1,879) work-years.





There were an average of 3.5 (4.0) training days per employee. Training seeks to ensure that shop staff have up-to-date knowledge of our products and to further improve the Alko customer experience.

All personnel are covered by an incentive scheme. The scheme includes responsibility, customer service, personnel and financial indicators, and encourages profitability and success through teamwork.

Salaries and incentives paid to staff totalled EUR 67.4 (68.0) million. Staff and management will be paid EUR 3.4 (3.0) million in incentives for 2015, inclusive of personnel-related expenses. This represents 4.0 (3.3) per cent of personnel costs.

## Shares and shareholders

The Government owns Alko's entire share capital (10,000,000 shares).

## Management and administration

On 27 April 2015, Alko's Annual General Meeting elected Harri Sailas, M.Sc. (Econ.), as Chair of the Board and Director General Kirsi Varhila, M.Sc. (Pol.Sc.), as Vice Chair of the Board. The Annual General Meeting elected the following members: Executive Director Sari Aalto-Matturi, Lic.Soc.Sc.; Director General Juhani Eskola, MD, PhD; Leila Kostainen, LL.M.; Kuisma Niemelä, M.A.; and Jarmo Väisänen, Lic.Soc.Sc.

Personnel representatives Marko Säkkinen and Riina Väntsi attended the meetings of the Board of Directors without the right to vote. Säkkinen was a member of the Board until August, after which Mikko Eronen replaced him as personnel representative until the end of the year.

The Board of Directors has three committees, namely the Audit, Staff and Alcohol Policy Committees.

KPMG Oy Ab, a firm of Authorised Public Accountants, was selected as the company's auditor with Lasse Holopainen, Authorised Public Accountant, as chief auditor.

## Risk management

Alko's Board of Directors is responsible for the company's risk management policy and monitors its implementation. The President & CEO, together with the Management Team, ensures compliance with Alko's risk management policy and the appropriate organisation of risk management.

At Alko, risk management means analysing and managing threats related to its activities in a systematic and anticipatory way. Risks have been classified into strategic, operational, economic and accident risks.

The Management Team regularly assesses risks that may impact on 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 are:

- Changes in the Alcohol Act may have a significant impact on the company's operations.
- An increase in the alcohol tax could lead to a rise in imports of alcoholic drinks by returning travellers from abroad and thus result in a decrease in Alko's sales.
- Responsible customer service forms a central part of Alko's operations, for example, not selling alcohol to minors or intoxicated people. Any deviations from this policy will result in a temporary closure of the shop in question.
- The company's business is based on efficient and reliable information systems. Any malfunctions in these information systems or their incompatibility with business demands can cause business interruptions.



– If realised, environmental and social responsibility risks in the procurement chain for alcoholic beverages may damage the company's reputation as a responsible player.

## Near-term outlook

The prevailing megatrends in health and well-being will continue to affect sales of alcoholic beverages. Likewise, consumers' weak financial position, travellers' private imports, and a downswing in the trade sector will also have an impact on Alko's sales.

Alko will continue to develop its stores to meet a variety of customer needs. In 2016, Alko will be making a concerted effort to develop its digital services, and will open a webshop to provide even better customer service.

Parliament is scheduled to discuss a new Alcohol Act during 2016, and this will affect Alko's role in the future.

## The Board of Directors' proposal for the disposal of profits

The Board of Directors proposes that EUR 172,659.82 be transferred from the invested free equity fund to unrestricted shareholders' equity to cover costs incurred by investments in improving occupational well-being.

At 31 December 2015, the parent company had distributable funds of EUR 57,660,014.44 (EUR 57,239,809.96), of which EUR 40,247,544.66 (EUR 40,812,443.44) was profit for the financial year.

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

– paid as dividends	EUR	40,000,000.00
– retained in shareholders' equity	EUR	17,660,014.44
Distributable funds at 31 December 2015	EUR	57,660,014.44

No substantial changes have occurred in the company's financial position since the end of the financial year. The company's liquidity is good and, in the Board of Directors' opinion, the proposed dividend payout will not compromise the company's solvency.

Helsinki, 11 March 2016

Board of Directors



## Statement by the supervisory board



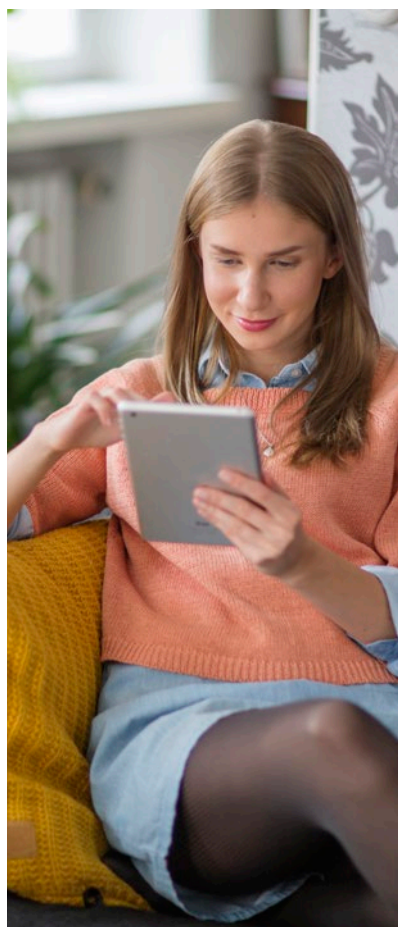
The Supervisory Board of Alko Inc. has studied the company's financial statements and auditors' report for 2015 and proposes to the 2016 Annual General Meeting that the company income statement and balance sheets for the 2015 financial year be approved. The Supervisory Board agrees with the Board of Directors' proposal for disposal of the profits.

Helsinki, 16th of March, 2016

Vesa-Matti Saarakkala  
Anna-Maja Henriksson  
Tuula Haatainen  
Susanna Huovinen  
Antti Kaikkonen  
Osmo Kokko  
Pauli Kiuru  
Ulla Parviainen  
Anna-Kaisa Pekonen  
Tuomo Puumala  
Päivi Räsänen  
Sari Sarkomaa



ALKO GROUP CONSOLIDATED  
FINANCIAL STATEMENT **2015**



Alko's mission is to sell beverages of over 4.7 per cent alc/vol to consumers while considering the harmful effects of alcohol consumption. Responsibility lies at the core of our operations. Alko's strategic objectives are to provide the best customer service, offer the best work, be a responsible player in the community, and operate an efficient chain of speciality stores.

60 (58) per cent of Finns are of the opinion that having a state-owned alcohol monopoly (Alko) with the sole right to sell alcoholic beverages is a good way of limiting the harmful effects of alcohol consumption. 87 (89) per cent were of the opinion that strong alcoholic beverages should only be available from Alko. The majority of the population want sales of wine (50 per cent) and strong beer (51 per cent) to be limited to Alko. This information comes from a survey on alcohol policy opinions in January 2016, in which telephone interviews were conducted with 1,007 Finns. Alko's strategic objectives are to provide the best customer experience, be a responsible player in the community, offer the best work, and operate efficiently.

In 2015, Alko was chosen as the best workplace in Finland in the large companies category of the Great Place to Work competition. Alko is also the best retail chain in Finland for customer service and responsibility. When compared to other service companies, Alko is moving in the right direction. We continually measure and analyse our operations and boost our efficiency. Slow economic growth and low customer confidence reduced both our customer numbers and sales by volume in 2015.

In 2015, Alko launched an extensive range of alcohol-free products, complete with a new sales concept. Our improved offering, combined with health and well-being trends, accelerated sales growth – 95.3 per cent more alcohol-free products were sold than in the previous year.

We diversified our shop network. A range of different business locations, combined with shops of differing sizes and types, cater to our customers' varying needs. Our new-style shops and business locations also meet the requirements of our efficiency and healthy competition programme.

## KEY FIGURES

	2015	2014	2014
Net sales, EUR million	1,158.9	1,179.8	1,175.0
Net sales excluding alcohol tax, EUR million	572.7	575.7	583.8
Operating profit, EUR million	49.7	50.5	49.4
Extraordinary items, EUR million			
Income tax on ordinary operations, EUR million	-10.1	-10.5	-12.4
Income tax on extraordinary items, EUR million			
Profit for financial year, EUR million	40.2	40.8	38.2
Income from ordinary operations, EUR million	40.2	40.8	38.2
Return on equity, %	51.7	53.8	53.0
Equity ratio, %	30.3	30.5	27.9
Balance sheet total, EUR million	256.4	253.7	266.6
Gross investments in fixed assets, EUR million	4.7	6.0	6.9
Average number of personnel during the financial year	2,415	2,527	2,610

Alko's net sales including alcohol tax totalled EUR 1,158.9 (1,179.8) million. Net sales excluding alcohol tax were EUR 572.7 (575.7) million. Net sales both including and excluding alcohol tax were down due to a 2.8 per cent decline in sales by volume.

Operating profit came to EUR 49.7 (50.5) million, representing 4.3 (4.3) per cent of net sales including alcohol tax. Fixed costs totalled EUR 152.7 (152.9) million.

Alko's result fell slightly on the previous year, primarily due to a decrease in sales by volume. Fixed costs remained at the same level as in the previous year.

Financial income totalled EUR 0.7 (0.8) million in 2015. Profit for the financial year was EUR 40.2 (40.8) million. The result was better than forecast.

The balance sheet total came to EUR 256.4 (253.7) million. The balance sheet total was up by EUR 2.7 million on the previous year due to a rise in the value of inventories.

The equity ratio stood at 30.3 (30.5) per cent.

The company's total investments amounted to EUR 4.7 (6.0) million. Investments focused on developing our shop network, and strategic and other project-based development programmes.

# REPORT OF THE BOARD OF DIRECTORS

## TAXATION AND PRICES

There were no changes in the excise tax on alcoholic beverages in 2015.

Alko's retail sales prices rose by 0.6 per cent during the year in response to price increases made by our suppliers. Prices were changed in February, June and October.

## SALES TREND

According to advance information published by THL, total consumption of alcoholic beverages in 2015 amounted to 10.8 litres of pure alcohol per each resident aged 15 and over. Total alcohol consumption declined by about three per cent year-on-year. Documented consumption of alcoholic beverages decreased by 2.3 per cent and undocumented consumption by 3.3 per cent.

According to a TNS Gallup survey, travellers' private imports of alcohol fell by 4.2 per cent on 2014 when translated into pure alcohol.

Total sales by volume in Alko shops fell to 94.0 (96.7) million litres, representing a year-on-year decrease of 2.8 per cent.

The sales by volume of spirits decreased by 3.5 per cent, mild wines by 2.3 per cent and brewery products by 3.2 per cent.

PRODUCT GROUP	SALES IN 2015, MILLIONS OF LITRES	SALES IN 2014, MILLIONS OF LITRES	YEAR-ON- YEAR CHANGE, MILLIONS OF LITRES	YEAR-ON- YEAR CHANGE, PER CENT
Vodka and similar spirits	14.1	14.6	-0.5	-3.5
Other spirits	7.6	7.8	-0.2	-2.4
Fortified wines	3.1	3.3	-0.2	-6.3
Red wines	24.9	25.7	-0.8	-3.0
White wines	21.1	21.7	-0.6	-2.6
Sparkling wines	5.2	4.9	0.3	5.2
Rosé wines	0.9	0.8	0.1	1.2
Other mild wines	1.8	2.0	-0.2	-9.2
Ciders	0.7	0.8	-0.1	-10.6
Long drinks	5.7	6.1	-0.4	-7.4
Beers	8.6	8.8	-0.2	-1.7
Alcohol-free beverages	0.4	0.2	0.2	95.3
<b>TOTAL</b>	<b>94.0</b>	<b>96.7</b>	<b>-2.7</b>	<b>-2.8</b>
<b>TOTAL, CONVERTED TO PURE ALCOHOL</b>	<b>15.8</b>	<b>16.3</b>	<b>-0.5</b>	<b>-3.1</b>

## ALCOHOL POLICY RESPONSIBILITY

Checking age limits, suspected cases of intoxication and suspected handovers of alcohol to minors form part of Alko's responsible customer service. In 2015, 3.7 (3.6) million Alko customers showed proof of their legal age. 0.63 (0.65) million checks of suspected intoxication and 0.3 (0.3) million checks of suspected handovers were also carried out. The success of age-limit checks was measured using a Mystery Shopping survey, which indicated a success rate of 90 (89) per cent.

Alko's 'In the Company of Children' programme created awareness through a variety of channels, such as its Facebook page and elsewhere online, and among early childhood educators in particular. Alko is running the programme in collaboration with the National Institute for Health and Welfare (THL), Mannerheim League for Child Welfare, A-Clinic Foundation, and Finnish Parents' League. We also launched our 'Working life and the harmful effects of alcohol consumption' programme in collaboration with the A-Clinic Foundation, Finnish Association for Substance Abuse Prevention (EHYT), THL, the Centre for Occupational Safety, KELA, and the Finnish Institute of Occupational Health.

## ENVIRONMENTAL RESPONSIBILITY AND RESPONSIBLE PROCUREMENT

In order to ensure responsible procurements, Alko continued to conduct inspections of production conditions in high-risk countries. Three audits were performed. The seasonal nature of harvests poses the greatest challenges to safeguarding human and labour rights in the alcoholic beverage industry. No serious ethical violations, such as use of child labour, were observed during the audits.

A total of 10 audits and 11 follow-up audits were performed in collaboration with the Nordic branch of the BSCI. Progress in producers' improvement programmes, which were based on deficiencies detected during our 2014 audits, were monitored through self-assessment and reporting.

All five Nordic alcohol monopolies made a joint visit to Argentina in March. The visit included an official programme with the Swedish and Finnish Ambassadors to Argentina. Our aim was to further strengthen our knowledge base and follow up





on earlier discussions with a number of local stakeholders, such as wine producers and civic organisations, during a similar visit in 2011.

Both Systembolaget and Alko organised BSCI training for importers. Alko's BSCI training went through topics such as what to expect from an audit, typical findings, and best practices. There were about 50 participants. Alko also created an online training module on its Code of Ethics, targeted at importers and producers. The module, which was completed in December 2015 and launched in January 2016, can be accessed through our alko.fi website.

During 2015, scheduled external ISO 14 001 environmental management system audits were performed at head office and 16 shops. 169 (175) internal environmental audits were carried out in Alko shops during the year. Alko is involved in a joint Nordic research project to determine the environmental impacts of the supply chain. This project was launched in summer 2015.

## PRODUCTS

Alko's product range featured beverages from 64 (61) countries. Beverages were purchased from 161 (125) domestic importers or manufacturers, and from 263 (194) foreign suppliers.

The last price list from 2015 included 2,549 (2,473) alcoholic beverages. As well as buying from the standard selection, consumers may also purchase products from Alko's sale-to-order selection, which in December 2015 contained 1,263 (1,430) products. Alko's flagship store in Helsinki also carries a special selection of about 160 products.

Alko lists new products for sale on a weekly basis. In 2015, we listed 754 (713) new products in our standard selection and 415 in our sale-to-order selection. Alko shops also sell 49 non-alcoholic beverages and a range of accessories.

## SERVICES AND CUSTOMERS

At the end of 2015, Alko had a total of 351 (353) stores. Our retail network was supplemented by 94 (97) order points. 57.7 (58.9) million customers visited Alko shops, representing a year-on-year decrease of two per cent.

Alko's customer satisfaction score increased on the previous year. We received a record-breaking score in the Finland Today

National Customer Feedback survey: 8.50 (8.45 in 2014). According to the survey, Alko ranked number one for customer experience among retail chains for the fourth year in a row. The survey compared Alko not only to retail chains but also to 30 Finnish service companies. In this group, comprising all surveyed companies, Alko had the fourth most satisfied customers.

## PERSONNEL

Alko had 2,525 (2,611) employees at the end of 2015. In terms of computational work-years, the work done by full-time and part-time employees totalled 1,821 (1,879) work-years.

There were an average of 3.5 (4.0) training days per employee. Training seeks to ensure that shop staff have up-to-date knowledge of our products and to further improve the Alko customer experience.

All personnel are covered by an incentive scheme. The scheme includes responsibility, customer service, personnel and financial indicators, and encourages profitability and success through teamwork.

Salaries and incentives paid to staff totalled EUR 674 (68.0) million. Staff and management will be paid EUR 3.4 (3.0) million in incentives for 2015, inclusive of personnel-related expenses. This represents 4.0 (3.3) per cent of personnel costs.

## SHARES AND SHAREHOLDERS

The Government owns Alko's entire share capital (10,000,000 shares).

## MANAGEMENT AND ADMINISTRATION

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## NEAR-TERM OUTLOOK

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No substantial changes have occurred in the company's financial position since the end of the financial year. The company's liquidity is good and, in the Board of Directors' opinion, the proposed dividend payout will not compromise the company's solvency.

Helsinki, 11 March 2016

Board of Directors

# INCOME STATEMENT AND BALANCE SHEET

## ALKO GROUP

INCOME STATEMENT, FAS EUR million

	1 JAN-31 DEC 2015	1 JAN-31 DEC 2014
<b>NET SALES</b>	<b>1,159.0</b>	<b>1,180.0</b>
Other operating income	2.6	3.1
Materials and services	-959.2	-979.5
Total personnel costs	-85.6	-87.4
Depreciation and write-downs	-8.2	-6.3
Other operating expenses	-59.9	-59.5
<b>OPERATING PROFIT</b>	<b>48.8</b>	<b>50.4</b>
Financial income and expenses	0.7	0.8
<b>PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS</b>	<b>49.5</b>	<b>51.2</b>
<b>PROFIT/LOSS AFTER EXTRAORDINARY ITEMS</b>	<b>49.5</b>	<b>51.2</b>
Income taxes	-10.1	-10.3
<b>PROFIT/LOSS FOR FINANCIAL YEAR</b>	<b>39.4</b>	<b>40.9</b>

BALANCE SHEET, FAS EUR million

	31 DEC 2015	31 DEC 2014
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	6.9	8.4
Tangible assets	38.1	40.0
Investments	5.7	6.7
<b>NON-CURRENT ASSETS</b>	<b>50.7</b>	<b>55.1</b>
<b>CURRENT ASSETS</b>		
Inventories	66.1	62.3
Non-current receivables	1.6	1.6
Deferred tax assets	0.9	0.8
Current receivables	18.3	17.5
Cash in hand and on deposit	120.3	118.6
<b>CURRENT ASSETS</b>	<b>207.2</b>	<b>200.8</b>
<b>ASSETS</b>	<b>257.9</b>	<b>255.9</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>TOTAL SHAREHOLDERS' EQUITY</b>		
Share capital	16.8	16.8
Other funds	2.6	2.8
Retained profit	18.1	17.1
Profit/loss for financial year	39.4	40.9
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>77.0</b>	<b>77.6</b>
<b>OBLIGATORY PROVISIONS</b>	<b>1.5</b>	
<b>LIABILITIES</b>		
Imputed tax liability	1.4	1.4
Current non-interest-bearing liabilities	178.0	176.9
<b>LIABILITIES</b>	<b>179.4</b>	<b>178.3</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>257.9</b>	<b>255.9</b>



# CASH FLOW STATEMENT, FAS

## ALKO GROUP

CASH FLOW STATEMENT, FAS EUR million

	2015	2014
<b>CASH FLOW FROM OPERATIONS</b>		
Profit/loss for financial year	39.4	40.9
<b>ADJUSTMENTS:</b>		
Depreciation and write-downs	8.2	6.3
Non-current asset items: sales profits (-)/losses (+)	-0.9	0.1
Financial income and expenses	-0.7	-0.8
Income taxes	10.1	10.3
Other adjustments	0.0	0.0
Cash flow before change in working capital	56.0	56.8
<b>CHANGE IN WORKING CAPITAL:</b>		
Increase (-)/decrease (+) in inventories	-3.8	5.2
Increase (-)/decrease (+) in current non-interest-bearing accounts receivable	-1.7	1.7
Increase (+)/decrease (-) in current non-interest-bearing liabilities	-0.3	-15.7
Change in provision	1.5	0.0
Cash flow from operations before financial items and taxes	51.8	48.1
Interest paid and payments on other financial operating expenses	-0.1	0.0
Dividends received from operations	0.0	0.0
Interest received from operations	0.7	1.6
Other financial items from operations	-0.1	-0.1
Direct taxes paid	-7.7	-7.6
Cash flow before extraordinary operating items	44.6	42.1
Cash flow due to extraordinary operating items		
<b>CASH FLOW FROM OPERATIONS</b>	<b>44.6</b>	<b>42.1</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in tangible and intangible assets	-4.8	-6.1
Income from surrender of tangible and intangible assets	0.0	0.1
Sold shareholdings in subsidiaries		
Other investments		
Surrendered income from other investments	1.9	
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-2.9</b>	<b>-6.1</b>
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>		
Short-term loan withdrawals		
Long-term loan repayments		
Dividend paid	-40.0	-38.0
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>	<b>-40.0</b>	<b>-38.0</b>
<b>CHANGE IN FINANCIAL POSITION</b>	<b>1.8</b>	<b>-2.0</b>
Financial resources at the beginning of the year	118.6	120.5
Change in financial position	1.8	-2.0
Financial resources at the end of the year	120.3	118.6

FAS=Finnish Accounting Standards



# INCOME STATEMENT AND BALANCE SHEET

## ALKO OY

INCOME STATEMENT, FAS EUR million

	1 JAN-31 DEC 2015	1 JAN-31 DEC 2014
<b>NET SALES</b>	1,158.9	1,179.8
Other operating income	2.6	3.1
Materials and services	-959.2	-979.5
Total personnel costs	-85.6	-87.4
Depreciation and write-downs	-7.6	-6.0
Other operating expenses	-59.5	-59.5
<b>OPERATING PROFIT</b>	49.7	50.5
Financial income and expenses	0.7	0.8
<b>PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS</b>	50.4	51.3
<b>PROFIT/LOSS AFTER EXTRAORDINARY ITEMS</b>	50.4	51.3
Income taxes	-10.1	-10.5
<b>PROFIT/LOSS FOR FINANCIAL YEAR</b>	40.2	40.8

BALANCE SHEET, FAS EUR million

	31 DEC 2015	31 DEC 2014
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	6.9	8.4
Tangible assets	10.5	11.9
Investments	32.9	33.8
<b>NON-CURRENT ASSETS</b>	50.2	54.1
<b>CURRENT ASSETS</b>		
Inventories	66.1	62.3
Non-current receivables	1.6	1.6
Current receivables	18.3	17.2
Cash in hand and on deposit	120.2	118.4
<b>CURRENT ASSETS</b>	206.2	199.5
<b>ASSETS</b>	256.4	253.7
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>TOTAL SHAREHOLDERS' EQUITY</b>		
Share capital	16.8	16.8
Other funds	2.6	2.8
Retained profit	17.4	16.4
Profit/loss for financial year	40.2	40.8
<b>TOTAL SHAREHOLDERS' EQUITY</b>	77.1	76.8
<b>OBLIGATORY PROVISIONS</b>	1.5	
<b>LIABILITIES</b>		
Current non-interest-bearing liabilities	177.8	176.8
<b>LIABILITIES</b>	177.8	176.8
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	256.4	253.7



# CASH FLOW STATEMENT, FAS

## ALKO OY

CASH FLOW STATEMENT, FAS EUR million

	2015	2014
<b>CASH FLOW FROM OPERATIONS</b>		
Profit/loss for financial year	40.2	40.8
<b>ADJUSTMENTS:</b>		
Depreciation and write-downs	7.6	6.0
Non-current asset items: sales profits (-)/losses (+)	-0.9	0.1
Financial income and expenses	-0.7	-0.8
Income taxes	10.1	10.5
Other adjustments	0.0	0.0
Cash flow before change in working capital	56.3	56.6
<b>CHANGE IN WORKING CAPITAL:</b>		
Increase(-)/decrease(+) in inventories	-3.8	5.2
Increase (-)/decrease (+) in current non-interest-bearing accounts receivable	-2.1	2.0
Increase (+)/decrease (-) in current non-interest-bearing liabilities	-0.2	-15.8
Change in provision	1.5	0.0
Cash flow from operations before financial items and taxes	51.8	48.0
Interest paid and payments on other financial operating expenses	-0.1	0.0
Dividends received from operations	0.0	0.0
Interest received from operations	0.7	1.6
Other financial items from operations	-0.1	-0.1
Direct taxes paid	-7.7	-7.6
Cash flow before extraordinary operating items	44.6	42.0
Cash flow due to extraordinary operating items		
<b>CASH FLOW FROM OPERATIONS</b>	<b>44.6</b>	<b>42.0</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in tangible and intangible assets	-4.7	-6.0
Income from surrender of tangible and intangible assets	0.0	-0.1
Acquisition of subsidiaries		
Sold shareholdings in subsidiaries		
Other investments		
Surrendered income from other investments	1.9	
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-2.7</b>	<b>-6.1</b>
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>		
Dividend paid	-40.0	-38.0
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>	<b>-40.0</b>	<b>-38.0</b>
<b>CHANGE IN FINANCIAL POSITION</b>	<b>1.8</b>	<b>-2.2</b>
Financial resources at the beginning of the year	118.4	120.5
Change in financial position	1.8	-2.2
Financial resources at the end of the year	120.2	118.4

FAS=Finnish Accounting Standards





## SCOPE OF THE CONSOLIDATED STATEMENTS AND ACCOUNTING PRINCIPLES

The Alko Group includes the parent company (Alko Oy) and four real estate companies as subsidiaries: Puolangan Keskus (50.48%), Raahen Asemakatu 12 (57.9%), Vuoksenniskan Harju-lanrinne (73.08%) and Kiinteistö Oy Arkadiantalo (100%). Group consolidation includes Kiinteistö Oy Arkadiantalo. Other subsidiaries and associated companies have no material effect on the Group's result or financial position.

## INTERNAL SHAREHOLDINGS

The consolidated financial statements have been prepared using the purchase method of accounting. Depreciation is carried out according to the depreciation plan for non-current assets.

## INTERCOMPANY TRANSACTIONS AND MARGINS

Inter-Group transactions, unrealised margins on internal deliveries, intercompany receivables and payables, and internal distribution of profits are eliminated.

## MINORITY INTERESTS

There are no minority interests.

## COMPARABILITY OF THE FINANCIAL STATEMENTS

The financial statements are comparable.

## VALUATION PRINCIPLES

### NET SALES

Excise taxes are included in net sales.

## FIXED ASSETS VALUATION

Fixed assets are stated at cost less planned accumulated depreciation. The planned depreciation has been calculated on a straight-line basis over the useful life of the item concerned. Depreciation has started from the month of the introduction of the item. The depreciation plan is the same as in the previous year.

Depreciation times:

	years
Buildings	25-40
Construction	20
Machinery and equipment (purchased before 2002)	10
Machinery and equipment (purchased in or after 2002)	7
Machinery and equipment (purchased in or after 2009)	5
Transport equipment	5
Computer hardware	3
Computer software	3-5
Renovation of shop premises	5

## VALUATION OF INVENTORIES

Inventories have been measured with variable costs according to the average price principle. The value of shop inventories includes an excise duty. The central warehouse in Viinikkala, Voutila 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 CURRENCY

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

# NOTES TO THE INCOME STATEMENT, FAS

EUR million	ALKO GROUP		ALKO OY	
	1 JAN–31 DEC 2015	1 JAN–31 DEC 2014	1 JAN–31 DEC 2015	1 JAN–31 DEC 2014
<b>TOTAL OTHER OPERATING INCOME</b>				
Rental income	1.3	2.0	1.3	2.0
Other operating income	0.4	1.1	0.4	1.1
Profit on sale of fixed assets	1.0	0.0	1.0	0.0
Total other operating income	2.6	3.1	2.6	3.1
<b>MATERIALS AND SERVICES</b>				
Purchases during financial period	-961.2	-973.4	-961.2	-973.4
Increase/decrease in inventories	3.7	-5.3	3.7	-5.3
Materials, consumables and supplies	-957.5	-978.6	-957.5	-978.6
Outsourced services	-1.7	-0.9	-1.7	-0.9
Total materials and services	-959.2	-979.5	-959.2	-979.5
<b>AVERAGE PERSONNEL DURING THE FINANCIAL YEAR</b>	1 821	1 879	1 821	1 879
<b>TOTAL PERSONNEL COSTS</b>				
Wages, salaries and remuneration	-67.4	-68.0	-67.4	-68.0
Pension expenses	-14.5	-15.9	-14.5	-15.9
Other personnel-related expenses	-3.7	-3.6	-3.7	-3.6
Total personnel costs	-85.6	-87.4	-85.6	-87.4

Alko employees 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. The OP-Life group pension insurance chosen by the parent company has an additional insurance fund of EUR 18.9 million. This fund can be used as insurance against supplementary pension index increases and other obligations.

EUR million	ALKO GROUP		ALKO OY	
	1 JAN–31 DEC 2015	1 JAN–31 DEC 2014	1 JAN–31 DEC 2015	1 JAN–31 DEC 2014
<b>SALARIES, REMUNERATIONS AND FRINGE BENEFITS PAID TO THE MANAGEMENT</b>				
President and CEO	0.4	0.4	0.4	0.4
Members of the Board	0.2	0.2	0.2	0.2
Supervisory Board wages, salaries and remuneration	0.0	0.0	0.0	0.0
Total	0.7	0.7	0.7	0.7

Incentive bonuses are included in salaries on an accrual basis.

At the end of 2015, a part of the Management Team belonged to the supplementary pension benefit scheme. One member of the Management Team had a defined-benefit group pension arrangement with a retirement age of about 61 years, depending on years of service, and a pension amounting to 66 per cent of salary. Three members of the Management Team had defined-contribution group pension arrangements with an annual payment of 10 per cent of the annual salary excluding bonuses; their retirement age is in line with the Employees Pensions Act (TyEL). The pensions of three Management Team members are determined by TyEL and they do not belong to the supplementary pension fund.



# NOTES TO THE INCOME STATEMENT, FAS

EUR million	ALKO GROUP		ALKO OY	
	1 JAN-31 DEC 2015	1 JAN-31 DEC 2014	1 JAN-31 DEC 2015	1 JAN-31 DEC 2014
<b>DEPRECIATION AND WRITE-DOWNS</b>				
Depreciation according to plan	-8.2	-6.3	-7.6	-6.0
Depreciation according to plan on non-current assets and goodwill	-8.2	-6.3	-7.6	-6.0
Reversed impairment on non-current asset items	0.0		0.0	
Total depreciation and write-downs	-8.2	-6.3	-7.6	-6.0
<b>AUDITOR'S FEE</b>				
KPMG Oy Ab				
Audit	0.0	0.0	0.0	0.0
Other fees	0.0	0.0	0.0	0.0
Total	0.0	0.1	0.0	0.1
<b>OTHER OPERATING EXPENSES</b>				
Rental expenses	-22.2	-20.7	-22.4	-21.6
Voluntary personnel-related expenses	-4.6	-4.9	-4.6	-4.9
Capital losses on non-current assets	0.0	-0.2	0.0	-0.2
Support given	-0.3	-0.6	-0.3	-0.6
Energy	-1.3	-1.4	-1.4	-1.3
Work outfits and equipment	-2.8	-2.7	-2.8	-2.7
Construction and repair services	-1.4	-1.7	-1.4	-1.7
IT services	-7.9	-7.8	-7.9	-7.8
Transport	-1.5	-1.6	-1.5	-1.6
Other outsourced services	-6.1	-5.5	-6.1	-5.5
Communications and marketing	-3.1	-3.6	-3.1	-3.6
Telecommunications	-1.9	-1.9	-1.9	-1.9
Credit card commissions and the handling of cash	-3.6	-3.7	-3.6	-3.7
Other expenses	-3.1	-3.2	-2.3	-2.4
Total other operating expenses	-59.9	-59.5	-59.5	-59.5
<b>FINANCIAL INCOME AND EXPENSES</b>				
<b>FINANCIAL INCOME</b>				
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	0.7	0.8	0.7	0.8
Other financial income	0.7	0.8	0.7	0.8
Total financial income	0.8	0.8	0.8	0.8



## NOTES TO THE INCOME STATEMENT, FAS

EUR million	ALKO GROUP		ALKO OY	
	1 JAN-31 DEC 2015	1 JAN-31 DEC 2014	1 JAN-31 DEC 2015	1 JAN-31 DEC 2014
<b>FINANCIAL EXPENSES</b>				
Other interest and financial expenses	-0.1	0.0	-0.1	0.0
Other financial expenses		0.0		0.0
Total other interest and financial expenses	-0.1	0.0	-0.1	0.0
Total financial expenses	-0.1	0.0	-0.1	0.0
Total financial income and expenses	0.7	0.8	0.7	0.8
Profit/loss from exchange rates	-0.1	-0.1	-0.1	-0.1
Total profit/loss from exchange rates	-0.1	-0.1	-0.1	-0.1
<b>DIRECT TAXES</b>				
Income taxes on ordinary operations	-10.1	-10.5	-10.1	-10.5
Changes in deferred tax liabilities and assets	0.0	0.2		
Income taxes on ordinary operations	-10.1	-10.3	-10.1	-10.5

## NOTES TO THE BALANCE SHEET

EUR million	ALKO GROUP		ALKO OY	
	31 DEC 2015	31 DEC 2014	31 DEC 2015	31 DEC 2014
<b>NON-CURRENT ASSETS</b>				
<b>INTANGIBLE ASSETS</b>				
Other capitalised expenditures	5.9	1.6	5.9	1.6
Advance payments on intangible assets	1.0	6.7	1.0	6.7
Intangible assets	6.9	8.4	6.9	8.4
<b>TANGIBLE ASSETS</b>				
Land and water areas	13.9	13.9	0.0	0.0
Buildings and constructions	13.9	14.2	0.0	0.0
Machinery and equipment	10.0	11.7	10.2	11.7
Other tangible assets	0.2	0.2	0.2	0.2
Advance payments, acquisitions in progress	0.1			
Tangible assets	38.1	40.0	10.5	11.9
<b>INVESTMENTS</b>				
Holdings in Group companies	0.4	0.4	27.5	27.5
Holdings in associates	1.8	1.8	1.8	1.8
Other shares and holdings	3.6	4.5	3.6	4.5
Investments	5.7	6.7	32.9	33.8
Total non-current assets	50.7	55.1	50.2	54.1



# NOTES TO THE BALANCE SHEET

## INTANGIBLE ASSETS

### ALKO GROUP

INTANGIBLE ASSETS 2014 EUR million

	OTHER CAPITALISED EXPENDITURES	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 January	10.5	6.7	17.2
Increase	1.2	0.1	1.3
Acquisition cost 31 December	11.7	6.7	18.5
Accumulated depreciation 1 January	-9.3	0.0	-9.3
Depreciation for financial year	-0.8	0.0	-0.8
Accumulated depreciation 31 December	-10.1	0.0	-10.1
<b>BOOK VALUE 31 DECEMBER</b>	<b>1.6</b>	<b>6.7</b>	<b>8.4</b>

INTANGIBLE ASSETS 2015 EUR million

	OTHER CAPITALISED EXPENDITURES	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 January	11.7	6.7	18.5
Increase	0.2	1.4	1.6
Transfers between items	7.2	-7.2	0.0
Acquisition cost 31 December	19.1	1.0	20.1
Accumulated depreciation 1 January	-10.1	0.0	-10.1
Depreciation for financial year	-3.1	0.0	-3.1
Accumulated depreciation 31 December	-13.2	0.0	-13.2
<b>BOOK VALUE 31 DECEMBER</b>	<b>5.9</b>	<b>1.0</b>	<b>6.9</b>

### ALKO OY

INTANGIBLE ASSETS 2014 EUR million

	OTHER CAPITALISED EXPENDITURES	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 January	10.5	6.7	17.2
Increase	1.2	0.1	1.3
Acquisition cost 31 December	11.7	6.7	18.5
Accumulated depreciation 1 January	-9.3	0.0	-9.3
Depreciation for financial year	-0.8	0.0	-0.8
Accumulated depreciation 31 December	-10.1	0.0	-10.1
<b>BOOK VALUE 31 DECEMBER</b>	<b>1.6</b>	<b>6.7</b>	<b>8.4</b>

INTANGIBLE ASSETS 2015 EUR million

	OTHER CAPITALISED EXPENDITURES	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 January	11.7	6.7	18.5
Increase	0.2	1.3	1.5
Transfers between items	7.2	-7.1	0.1
Acquisition cost 31 December	19.1	1.0	20.1
Accumulated depreciation 1 January	-10.1	0.0	-10.1
Depreciation for financial year	-3.1	0.0	-3.1
Accumulated depreciation 31 December	-13.2	0.0	-13.2
<b>BOOK VALUE 31 DECEMBER</b>	<b>5.9</b>	<b>1.0</b>	<b>6.9</b>



# NOTES TO THE BALANCE SHEET

## TANGIBLE ASSETS

ALKO GROUP TANGIBLE ASSETS 2014 EUR million	LAND AND WATER AREAS	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 January	13.9	15.2	59.9	0.2	89.2
Increase	0.0	0.1	4.7		4.8
Decrease	0.0	-0.2	-1.0	0.0	-1.2
Acquisition cost 31 December*	13.9	15.1	63.6	0.2	92.8
Accumulated depreciation 1 January	0.0	-0.6	-47.6	0.0	-48.2
Accumulated depreciation on decrease and transfers	0.0	0.0	1.0	0.0	1.0
Depreciation for financial year	0.0	-0.3	-5.3	0.0	-5.6
Accumulated depreciation 31 December	0.0	-0.9	-51.9	0.0	-52.8
<b>BOOK VALUE 31 DECEMBER</b>	<b>13.9</b>	<b>14.2</b>	<b>11.7</b>	<b>0.2</b>	<b>40.0</b>

TANGIBLE ASSETS 2015 EUR million	LAND AND WATER AREAS	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 January	13.9	15.1	63.6	0.2	92.8
Increase	0.0	0.0	3.1		3.1
Decrease	0.0	0.0	-0.3		-0.3
Advance payments		0.1			0.1
Acquisition cost 31 December*	13.9	15.2	66.4	0.2	95.8
Accumulated depreciation 1 January	0.0	-0.9	-51.9	0.0	-52.8
Accumulated depreciation on decrease and transfers	0.0	0.0	0.3	0.0	0.3
Depreciation for financial year	0.0	-0.6	-4.5	0.0	-5.1
Accumulated depreciation 31 December	0.0	-1.5	-56.1	0.0	-57.6
<b>BOOK VALUE 31 DECEMBER</b>	<b>13.9</b>	<b>13.8</b>	<b>10.2</b>	<b>0.2</b>	<b>38.1</b>

\*) Acquisition cost does not include upward value adjustments



# NOTES TO THE BALANCE SHEET

## TANGIBLE ASSETS

ALKO OY TANGIBLE ASSETS 2014 EUR million	LAND AND WATER AREAS	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 January	0.0	0.1	59.9	0.2	60.2
Increase	0.0	0.0	4.7	0.0	4.7
Decrease	0.0	0.0	-1.0	0.0	-1.0
Acquisition cost 31 December*	0.0	0.1	63.6	0.2	63.9
Accumulated depreciation 1 January	0.0	-0.1	-47.6	0.0	-47.7
Accumulated depreciation on decrease and transfers	0.0	0.0	1.0	0.0	1.0
Depreciation for financial year	0.0	0.0	-5.3	0.0	-5.3
Accumulated depreciation 31 December	0.0	-0.1	-51.9	0.0	-52.0
<b>BOOK VALUE 31 DECEMBER</b>	<b>0.0</b>	<b>0.0</b>	<b>11.7</b>	<b>0.2</b>	<b>11.9</b>

TANGIBLE ASSETS 2015 EUR million	LAND AND WATER AREAS	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 January	0.0	0.1	63.6	0.2	63.9
Increase	0.0	0.0	3.1	0.0	3.1
Decrease	0.0	0.0	-0.3	0.0	-0.3
Acquisition cost 31 December*	0.0	0.1	66.4	0.2	66.7
Accumulated depreciation 1 January	0.0	-0.1	-51.9	0.0	-52.0
Accumulated depreciation on decrease and transfers	0.0	0.0	0.3	0.0	0.3
Depreciation for financial year	0.0	0.0	-4.5	0.0	-4.5
Accumulated depreciation 31 December	0.0	-0.1	-56.1	0.0	-56.2
<b>BOOK VALUE 31 DECEMBER</b>	<b>0.0</b>	<b>0.0</b>	<b>10.2</b>	<b>0.2</b>	<b>10.5</b>

\*) Acquisition cost does not include upward value adjustments

# NOTES TO THE BALANCE SHEET

## INVESTMENTS

ALKO GROUP INVESTMENTS 2014 EUR million	HOLDINGS IN GROUP COMPANIES	HOLDINGS IN ASSOCIATES	OTHER SHARES AND HOLDINGS	TOTAL
Acquisition cost 1 January	0.9	2.1	4.7	7.6
Increase	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	0.0	0.0
Acquisition cost 31 December	0.9	2.1	4.7	7.6
Accumulated write-down and adjustments to capital proportion 1 January	-0.5	-0.3	-0.2	-0.9
Accumulated write-downs on decrease and transfers	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December	-0.5	-0.3	-0.2	-0.9
<b>BOOK VALUE 31 DECEMBER</b>	<b>0.4</b>	<b>1.8</b>	<b>4.5</b>	<b>6.7</b>

INVESTMENTS 2015 EUR million	HOLDINGS IN GROUP COMPANIES	HOLDINGS IN ASSOCIATES	OTHER SHARES AND HOLDINGS	TOTAL
Acquisition cost 1 January	0.9	2.1	4.7	7.6
Increase	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	-1.0	-1.0
Acquisition cost 31 December	0.9	2.1	3.7	6.7
Accumulated write-down and adjustments to capital proportion 1 January	-0.5	-0.3	-0.2	-0.9
Accumulated write-downs on decrease and transfers	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December	-0.5	-0.3	-0.2	-0.9
<b>BOOK VALUE 31 DECEMBER</b>	<b>0.4</b>	<b>1.8</b>	<b>3.6</b>	<b>5.7</b>

# NOTES TO THE BALANCE SHEET

## INVESTMENTS

ALKO OY INVESTMENTS 2014    EUR million	HOLDINGS IN GROUP COMPANIES	HOLDINGS IN ASSOCIATES	OTHER SHARES AND HOLDINGS	TOTAL
Acquisition cost 1 January	28.0	2.1	4.7	34.8
Increase	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	0.0	0.0
Acquisition cost 31 December	28.0	2.1	4.7	34.8
Accumulated write-down and adjustments to capital proportion 1 January	-0.5	-0.3	-0.2	-0.9
Accumulated write-downs on decrease and transfers	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December	-0.5	-0.3	-0.2	-0.9
<b>BOOK VALUE 31 DECEMBER</b>	<b>27.5</b>	<b>1.8</b>	<b>4.5</b>	<b>33.8</b>

INVESTMENTS 2015    EUR million	HOLDINGS IN GROUP COMPANIES	HOLDINGS IN ASSOCIATES	OTHER SHARES AND HOLDINGS	TOTAL
Acquisition cost 1 January	28.0	2.1	4.7	34.8
Increase	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	-1.0	-1.0
Acquisition cost 31 December	28.0	2.1	3.7	33.8
Accumulated write-down and adjustments to capital proportion 1 January	-0.5	-0.3	-0.2	-0.9
Accumulated write-downs on decrease and transfers	0.0	0.0	0.0	0.0
Accumulated depreciation 31 December	-0.5	-0.3	-0.2	-0.9
<b>BOOK VALUE 31 DECEMBER</b>	<b>27.5</b>	<b>1.8</b>	<b>3.6</b>	<b>32.9</b>

Acquisition cost does not include upward value adjustments



# NOTES TO THE BALANCE SHEET

	PARENT COMPANY'S HOLDINGS %	HOLDING OF EQUITY EUR 1,000	EQUITY	NUMBER OF SHARES	NOMINAL VALUE EUR/SHARE	SHARES/ HOLDINGS NOMINAL VALUE 31.12.15 EUR 1,000 TOTAL	BOOK VALUE 31.12.15 EUR 1,000	PROFIT/LOSS ACCORDING TO THE LATEST FINANCIAL STATEMENTS EUR 1,000
<b>HOLDINGS IN GROUP COMPANIES</b>								
Kiinteistö Oy Arkadiankatu	100.00		18,797,252.76				27,141	-882.2
Kiinteistö Oy Puolangan Keskus, Puolanka	50.48	188	372,118.46	275	56.00	15	118	0.0
Kiinteistö Oy Raahen Asemakatu 12, Raahen	57.90	243	420,469.82	14,476	17.00	246	140	0.0
Kiinteistö Oy Vuoksenniskan Harjulanrinne, Imatra	73.08	692	946,332.89	7,308	0.30	2	120	0.0
<b>TOTAL HOLDINGS IN GROUP COMPANIES</b>		<b>1,123</b>					<b>27,519</b>	
<b>HOLDINGS IN PARTICIPATING INTEREST COMPANIES</b>								
Kiinteistö Oy Enon Kauppakeskus, Eno	37.00	168	454,719.18	259	5.05	1	118	4.4
Asunto Oy Juvan Myllynkerä, Juva	31.50	153	486,278.05	3,150	0.25	1	150	5.4
Kaavin Yrittäjäkatu Oy, Kaavi	23.20	103	445,542.94	348	16.82	6	101	-25.8
Kiinteistö Oy Kaivolankulma, Puumala	36.37	106	291,818.08	2,515	67.28	169	100	0.0
Kiinteistö Oy Kannuksen Torinkulma, Kannus	46.03	331	718,774.55	2,900	1.68	5	155	-1.8
Kiinteistö Oy Mantsintie 1-3, Ilomantsi	28.19	108	381,934.80	311	50.46	16	135	-4.1
Kiinteistö Oy Nilsinportti, Nilsä	31.49	449	1,425,666.89	1,606	16.82	27	168	0.0
Asunto-osakeyhtiö Pieksälä, Pieksämäki	26.82	167	622,833.54	54,800	1.68	92	84	12.8
Kiinteistö Oy Pulkkilan Kauppakeskus, Pulkki	49.84	228	456,642.01	4,984	0.34	2	70	-4.2
Kiinteistö Oy Saarijärven Paavonaukio, Saarijärvi	29.58	217	734,118.19	392	168.19	66	120	2.4
Asunto Oy Sandelsinkatu 4, Helsinki	24.85	34	138,526.22	6,835	0.34	2	251	50.1
Kiinteistö Oy Savitaipaleen Torinkulma, Savitaipale	23.00	195	847,498.96	2,300	0.34	1	103	1.9
Kiinteistö Oy Urpala, Rantasalmi	36.88	295	799,022.96	2,950	0.34	1	100	0.0
Kiinteistö Oy Äänekosken Torikatu 5, Äänekoski	36.29	313	862,147.76	450	16.82	8	130	9.1
<b>TOTAL HOLDINGS IN PARTICIPATING INTEREST COMPANIES</b>		<b>2,867</b>					<b>1,785</b>	

# NOTES TO THE BALANCE SHEET

	PARENT COMPANY'S HOLDINGS %	HOLDING OF EQUITY EUR 1,000	EQUITY	NUMBER OF SHARES	NOMINAL VALUE EUR/SHARE	SHARES/ HOLDINGS NOMINAL VALUE 31.12.15 EUR 1,000 TOTAL	BOOK VALUE 31.12.15 EUR 1,000	PROFIT/LOSS ACCORDING TO THE LATEST FINANCIAL STATEMENTS EUR 1,000
<b>OTHER SHARES AND HOLDINGS</b>								
Asunto Oy Helsinginkatu 15, Helsinki	17.73			1,773	1.68	3	434	
Kiinteistö Oy Karakeskus, Kouvola	4.60			5,013	0.17	1	7	
Kiinteistö Oy Keritori, Kerimäki	9.76			332	1.68	1	63	
Kiuruveden Linja-autoaseman Kiinteistö Oy, Kiuruvesi	14.99			2,514	16.82	42	135	
Kiinteistö Oy Kolarin Ylläs Chalets VII				122			244	
Kontulan Ostoskeskus Oy, Helsinki	9.46			745	68.62	51	673	
Asunto Oy Nilsin Tahkokuuri Chalets B				1,805			178	
Kiinteistö Oulun Kirkkokatu 14, Oulu	1.43			500	16.82	8	17	
Kiinteistö Oy Paltamon Tervahamina, Paltamo	10.00			1,000	1.68	2	100	
Kiinteistö Oy Pyhäsalmen Liiketalo, Pyhäsalmi	16.00			288	1.68	0	101	
Savonlinnan Linja-autoasema Oy, Savonlinna	10.47			1,540	168.19	259	168	
Kiinteistö Oy Siilinjärven Torikalla, Siilinjärvi	19.22			36,520	0.17	6	200	
Tahko Golf Club Aoy, A 597							9	
Tahko Golf Club Aoy, A 1044							9	
Kiinteistö Oy Tampereen Hämeenpuisto 27b, Tampere	1.56			440	17.00	283	38	
Asunto Oy Vuorimiehenkatu 33, Helsinki	15.41			4,445	16.82	75	228	
Kiinteistö Oy Ämmänkievari, Suomussalmi	1.36			3,915	16.82	66	10	
Vierumäki Golf Garden Oy							488	
Vierumäki Golf Garden Oy							38	
Vierumäki Chalets							298	
Luoston Huolto Oy	1.87			28	8.41	0	3	
Luottokunta				1			0	
Suomen Palautuspakkaus Oy	12.50			150			25	
Total other shares and holdings						797	3,466	
Other non-itemised shares and holdings (in telephone companies)							84	
<b>TOTAL OTHER SHARES AND HOLDINGS</b>							<b>3,550</b>	
<b>TOTAL SHARES</b>							<b>32,854</b>	



# NOTES TO THE BALANCE SHEET

## CASH IN HAND AND ON DEPOSIT

EUR million	ALKO GROUP		ALKO OY	
	31 DEC 2015	31 DEC 2014	31 DEC 2015	31 DEC 2014
Shops' cash registers	13.1	12.9	13.1	12.9
Commercial papers	2.0	10.9	2.0	10.9
Bonds	20.9	14.6	20.9	14.6
Bank accounts	84.3	80.1	84.2	79.9
<b>TOTAL</b>	<b>120.3</b>	<b>118.6</b>	<b>120.2</b>	<b>118.4</b>

## BOND MARKET AND BOOK VALUE DIFFERENCE

Financial securities' market value	20.6	15.9	20.6	15.9
Financial securities' book value	20.9	14.6	20.9	14.6
<b>DIFFERENCE</b>	<b>-0.3</b>	<b>1.3</b>	<b>-0.3</b>	<b>1.3</b>

## INVENTORIES

Finished products and goods	65.6	61.9	65.6	61.9
Advance payments on inventories	0.5	0.4	0.5	0.4
<b>TOTAL INVENTORIES</b>	<b>66.1</b>	<b>62.3</b>	<b>66.1</b>	<b>62.3</b>

Non-current other receivables	1.6	1.6	1.6	1.6
Other	1.6	1.6	1.6	1.6
<b>Total</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>

## CURRENT RECEIVABLES FROM GROUP COMPANIES

Current prepayments and accrued income			0.1	
Current receivables			0.1	

## CURRENT RECEIVABLES

Accounts receivable	16.3	15.0	16.3	15.0
Current receivables (from others)	1.9	2.5	1.9	2.2
Other	0.0	0.1	0.0	0.0
<b>Total</b>	<b>18.3</b>	<b>17.5</b>	<b>18.2</b>	<b>17.2</b>
Current receivables	18.3	17.5	18.3	17.2

## MAJOR ITEMS IN PREPAID EXPENSES AND ACCRUED INCOME

Income tax receivable		1.2		1.2
VAT receivables	0.1	0.0		
Lunch vouchers and charging of lunch cards		0.1		0.1
Social Insurance Institution compensation for occupational health care	0.6	0.6	0.6	0.6
Employer insurance	0.5		0.5	0.0
Interest receivables	0.3	0.4	0.3	0.4
Prepaid grants for 2016	0.3		0.3	0.0
License and maintenance fees for 2016	0.1		0.1	0.0
Other prepaid expenses and accrued income	0.1	0.3	0.1	0.0
<b>Total</b>	<b>1.9</b>	<b>2.5</b>	<b>1.9</b>	<b>2.2</b>



# NOTES TO THE BALANCE SHEET

DISTRIBUTABLE EARNINGS	ALKO GROUP		ALKO OY	
	31 DEC 2015	31 DEC 2014	31 DEC 2015	31 DEC 2014
EUR million				
Retained profit			17.2	16.1
Profit/loss for financial year			40.2	40.8
Transfer from other funds			0.2	0.4
Total adjustments			0.2	0.4
Distributable earnings			57.7	57.2
<b>OBLIGATORY PROVISIONS</b>				
Rent liability for vacant premises			1.5	
Total			1.5	
<b>DEBTS TO GROUP COMPANIES</b>				
Accounts payable to Group companies			0.0	0.0
Current accrued expenses and deferred income to Group companies				0.0
			0.0	0.0
<b>CURRENT LIABILITIES</b>				
Accounts payable	143.8	143.4	143.6	143.4
Accrued expenses and deferred income	20.6	19.2	20.6	19.2
Other liabilities	13.7	14.3	13.7	14.1
Advances received	0.0	0.0		
Total	178.0	176.9	177.8	176.8
<b>CURRENT LIABILITIES</b>	178.0	176.9	177.8	176.8
<b>MAJOR ITEMS IN ACCRUED EXPENSES AND DEFERRED INCOME (NON-CURRENT AND CURRENT)</b>				
Payroll timing items, including social insurance costs	17.8	17.8	17.8	17.8
Timing of employer insurance	0.2	0.6	0.2	0.6
Timing of income taxes	1.2		1.2	
Timing of bank costs and credit card commissions	0.5	0.5	0.5	0.5
Imports in progress	0.3	0.1	0.3	0.1
Pending court cases	0.1	0.0	0.1	
Scrapping of cash desks	0.2	0.2	0.2	0.2
Invoices recognised for 2016	0.3	0.0	0.3	
Other current accrued expenses and deferred income	0.0	0.1	0.0	0.1
Total	20.6	19.2	20.6	19.2

# NOTES TO THE BALANCE SHEET

## ALKO GROUP

### CHANGE IN SHAREHOLDERS' EQUITY 2014

EUR million	SHARE CAPITAL	OTHER FUNDS	PROFIT FUNDS	TOTAL
<b>EQUITY 1 JANUARY</b>	16.8	3.2	54.7	74.7
Distribution of dividend			-38.0	-38.0
Transfers between items, fund for work welfare		-0.4	0.4	0.0
Profit for financial year			40.9	40.9
<b>TOTAL EQUITY 31 DECEMBER 2014</b>	<b>16.8</b>	<b>2.8</b>	<b>58.0</b>	<b>77.6</b>

### CHANGE IN SHAREHOLDERS' EQUITY 2015

EUR million	SHARE CAPITAL	OTHER FUNDS	PROFIT FUNDS	TOTAL
<b>EQUITY 1 JANUARY</b>	16.8	2.8	58.0	77.6
Distribution of dividend			-40.0	-40.0
Transfers between items, fund for work welfare		-0.2	0.2	0.0
Profit for financial year			39.4	39.4
<b>TOTAL EQUITY 31 DECEMBER 2015</b>	<b>16.8</b>	<b>2.6</b>	<b>57.5</b>	<b>77.0</b>

## ALKO OY

### CHANGE IN SHAREHOLDERS' EQUITY 2014

EUR million	SHARE CAPITAL	OTHER FUNDS	PROFIT FUNDS	TOTAL
<b>EQUITY 1 JANUARY</b>	16.8	3.2	54.1	74.0
Distribution of dividend			-38.0	-38.0
Transfers between items, fund for work welfare		-0.4	0.4	0.0
Profit for financial year			40.8	40.8
<b>TOTAL EQUITY 31 DECEMBER 2014</b>	<b>16.8</b>	<b>2.8</b>	<b>57.2</b>	<b>76.8</b>

### CHANGE IN SHAREHOLDERS' EQUITY 2015

EUR million	SHARE CAPITAL	OTHER FUNDS	PROFIT FUNDS	TOTAL
<b>EQUITY 1 JANUARY</b>	16.8	2.8	57.2	76.8
Distribution of dividend			-40.0	-40.0
Transfers between items, fund for work welfare		-0.2	0.2	0.0
Profit for financial year			40.2	40.2
<b>TOTAL EQUITY 31 DECEMBER 2015</b>	<b>16.8</b>	<b>2.6</b>	<b>57.7</b>	<b>77.1</b>



# NOTES TO THE BALANCE SHEET

## OTHER NOTES

Securities given, contingent and other liabilities

Other securities given

EUR million	ALKO GROUP		ALKO OY	
	2015	2014	2015	2014
<b>LEASING LIABILITIES</b>				
Payable during the year after the financial year	0.6	0.6	0.6	0.6
Payable later	1.1	0.8	1.1	0.8
Total	1.6	1.4	1.6	1.4
<b>RENTAL LIABILITIES</b>				
Payable during the year after the financial year	13.7	15.8	13.7	15.8
Payable later	1.2	4.7	1.2	4.7
Total	14.9	20.5	14.9	20.5

## KEY FIGURES

		ALKO GROUP				ALKO OY			
		2015	2014	2013	2012	2015	2014	2013	2012
Net sales	EUR million	1,159.0	1,180.0	1,175.3	1,207.5	1,158.9	1,179.8	1,175.0	1,207.2
Operating profit	EUR million	48.8	50.4	49.1	57.4	49.7	50.5	49.4	57.3
Proportion of net sales, %	%	4.2	4.3	4.2	4.8	4.3	4.3	4.2	4.7
Profit before extraordinary items, voluntary provisions and income taxes	EUR million	49.5	51.2	50.2	58.4	50.4	51.3	50.6	58.3
Proportion of net sales, %	%	4.3	4.3	4.3	4.8	4.3	4.3	4.3	4.8
Profit before provisions and taxes	EUR million	49.5	51.2	50.2	58.7	50.4	51.3	50.6	58.6
Proportion of net sales, %	%	4.3	4.3	4.3	4.9	4.3	4.3	4.3	4.9
Return on equity, %	%	51.0	53.7	48.9	54.0	51.7	53.8	53.0	54.0
Return on investment, %	%	64.1	67.2	64.7	70.0	64.8	67.3	70.6	70.1
Equity ratio, %	%	29.8	30.3	27.8	30.5	30.3	30.5	27.9	30.7
Current ratio		1.2	1.1	1.1	1.1	1.2	1.1	1.1	1.1
Gross investments in fixed assets	EUR million	4.8	6.1	6.9	7.1	4.7	6.0	6.9	7.1
Proportion of net sales, %	%	0.4	0.5	0.6	0.6	0.4	0.5	0.6	0.6
Average number of personnel during the financial year		2,415	2,527	2,610	2,657	2,415	2,527	2,610	2,657

## FORMULAS FOR THE INDICATORS

Return on equity, %	$\frac{(\text{Profit before extraordinary items} - \text{Income taxes on ordinary operations}) \times 100}{\text{Equity (average*)}}$
Return on investment, %	$\frac{(\text{Profit before extraordinary items} + \text{financial expenses for liabilities}) \times 100}{\text{Balance sheet total (average*)} - \text{non-interest-bearing liabilities (average*)}}$
Equity ratio, %	$\frac{\text{Equity} \times 100}{\text{Balance sheet total} - \text{Advances received}}$
Current ratio	$\frac{\text{Inventories} + \text{Financial assets}}{\text{Current liabilities}}$

\*) Averages have been calculated as the averages of the final monthly balances.

# THE BOARD OF DIRECTORS' PROPOSAL ABOUT THE DISTRIBUTION OF PROFIT

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The Board proposes that EUR 172,659.82 be transferred from other profit funds to non-restricted equity to cover the costs of improving work welfare. On 31 December 2015, the parent company had EUR 57,660,014.44 in distributable profit funds (EUR 57,239,809.96), of which the profit for the financial year amounted to EUR 40,247,544.66 (EUR 40,812,443.44).

The Board proposes that the distributable funds be distributed as follows:

- distributed as dividend	40,000,000.00 EUR
- retained under equity	17,660,014.44 EUR
	57,660,014.44 EUR

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No substantial changes have taken place in the company's financial situation since the end of the financial year. The company's liquidity is good and, in the opinion of the Board, the proposed distribution of profit does not put the company's liquidity at risk.

Helsinki, 11 March 2016

## BOARD OF DIRECTORS

Harri Sailas  
Chairman

Kirsi Varhila

Sari Aalto-Matturi

Juhani Eskola

Leila Kostiainen

Kuisma Niemelä

Jarmo Väisänen

Hille Korhonen  
President and CEO

## AUDITOR'S REPORT

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

Helsinki, 11 March 2016

KPMG Oy Ab

Lasse Holopainen  
APA



# STATEMENT BY THE SUPERVISORY BOARD

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The Supervisory Board of Alko Inc. has studied the company's financial statements and auditors' report for 2015 and proposes to the 2016 Annual General Meeting that the company income statement and balance sheets for the 2015 financial year be approved. The Supervisory Board agrees with the Board of Directors' proposal for disposal of the profits.

Helsinki, 16th of March, 2016

Vesa-Matti Saarakkala  
Chairman

Anna-Maja Henriksson  
Vice Chairman

Tuula Haatainen  
Member

Susanna Huovinen  
Member

Antti Kaikkonen  
Member

Osmo Kokko  
Member

Pauli Kiuru  
Member

Ulla Parviainen  
Member

Aino-Kaisa Pekonen  
Member

Tuomo Puumala  
Member

Päivi Räsänen  
Member

Sari Sarkomaa  
Member





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