



Annual Report 2019





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# ALKO'S DIRECTION

1. PRESIDENT & CEO'S REVIEW

2. ALKO'S MISSION AND BUSINESS

3. OPERATING ENVIRONMENT

4. STRATEGY AND OBJECTIVES

5. ALKO IN 2019



# PRESIDENT & CEO'S REVIEW

We received recognition from customers and other stakeholders for our successes in both the Alko customer experience and our responsibility efforts. In the future, we will be getting our stakeholders even more involved in the development of our operations.

Our mission is to sell alcohol responsibly and serve both our customers and Finland's welfare society as best we can. Our responsibility efforts can be seen not only in words but also in practice. We are uncompromising in our provision of responsible and friendly customer service. We participate in projects that enhance wellbeing. We work to promote responsible supply chains. We price our products responsibly. We ensure product safety and take care of the environment. All perspectives are considered: human, environmental and economic.

We have set even higher targets in our strategy. Our mission is to sell alcohol in the most responsible way in the world. Our vision is to provide world-class service and be esteemed by our customers.

Finns think that we have succeeded in our mission: 62 (59) per cent are of the opinion that Alko and its monopoly are good ways of limiting the harmful effects of alcohol consumption.

We involve our customers, suppliers and personnel in the development of our operations. For example, in the spring we launched a mobile app that our customers have been heavily involved in developing. Last year, every Alko employee participated in an average of five training days. We began integrating our revised strategy into the working day, for example, through gamification with the aid of an online game. Sales staff do shifts at different stores, and management and office staff also work in stores during peak seasons. This helps us to develop everyone's competence and increase our shared understanding.

We serve our customers through a multichannel network: 361 stores, 100 pick-up points, our online shop and our mobile app. We seek to provide a familiar, consistent and world-class service experience in all of our channels. Digitalisation is changing



our customers' behaviour. Customers expect availability and service almost around the clock, on several devices and in multiple channels. Customers can access Alko's entire selection through our online shop, regardless of where they live.

Sales of alcohol in litres fell on 2018 as a result of the amended Alcohol Act and tax increases implemented in 2018 and 2019. We sold a total of 82.1 (85.3) million litres of beverages in 2019. Alko's net sales including alcohol tax totalled EUR 1,144 (1,153) million. Increases in alcohol taxation and a rise in the average price of products purchased by customers both contributed to this relatively slight fall in net sales. We further developed our support functions to ensure operational efficiency. We are seeking to forecast economic trends even more accurately, and to react to fluctuations in our business.

**Leena Laitinen**  
President & CEO

**“Sixty-two per cent of Finns think that Alko and its monopoly are good ways of limiting the harmful effects of alcohol consumption.”**



# ALKO'S MISSION AND BUSINESS

Alko seeks to provide customers with the best possible service, to reduce the harmful effects of alcohol in accordance with its mandate, and to promote wellbeing. Alcohol policy is implemented through Alko, with its key measures being concrete responsible action and controlling the availability and price of alcohol, which have proven to be effective.

## SERVING CUSTOMERS AND THE WELFARE SOCIETY

In Finland, Alko has the sole right to engage in the retail sale of beverages containing more than 5.5 per cent alcohol by volume, with the exception of microbrewery beers and farm wines made from fruits and berries other than grapes. The company's mandate is specified in the Alcohol Act: to engage in the retail sale of alcoholic beverages, while taking their harmful effects into consideration. Alko is owned by the State, and the Ministry of Social Affairs and Health is responsible for its ownership steering and supervision.

Alko seeks to provide customers with the best possible service, to reduce the harmful effects of alcohol in accordance with its mandate, and to promote wellbeing. Alcohol policy is implemented through Alko, with its key measures being concrete responsible action and controlling the availability and price of alcohol, which have proven to be effective. Alcohol is not an ordinary commodity, and the sale of alcohol is about more than individual freedom. Alcohol poses health and social risks to both individuals and society.

Alcohol has a considerable financial impact on society – the National Institute for Health and Welfare (THL) estimates the annual cost at over EUR 2 billion. This figure consists of both indirect costs, such as lost production and working hours, and the direct costs of alcohol consumption, such as costs incurred by security and policing, social welfare, specialised hospital treatment and primary healthcare. Total alcohol consumption and the harmful effects it causes go hand in hand: the more that is drunk, the greater the harmful effects.

Alko works with a variety of organisations and associations to implement projects that seek to increase wellbeing and combat social exclusion. These projects focus on children, young people and people of working age. We advocate healthy lifestyles and good life management skills, and encourage consumers to think about their own drinking habits and how they use alcohol in various situations. Alcohol has become a part of everyday life and it is sometimes difficult to judge whether we are drinking in moderation. We also price our products responsibly and are uncompromising in our age-limit checks and other sales supervision.

## WE ACTIVELY ENGAGE IN COOPERATION WITH STAKEHOLDERS

Alko's social approval is measured using the Opinions on Alcohol Policy survey commissioned by the National Institute for Health and Welfare. Alko's approval rating stood at 62 per cent in 2019 (2018: 59; 2017: 60; 2016: 62).

We develop our activities together with our stakeholders on the basis of dialogue and feedback. In 2018, we worked with KPMG to update our materiality assessment of Alko's responsibility. Our responsibility measures and their development are steered by research results combined with feedback and requests from customers, suppliers and other stakeholders. One expectation highlighted by this feedback is that Alko should pay even greater attention to the health and social impacts of alcohol use in both its activities and communications.

A wide range of [partners](#) are involved in our responsibility project Championing wellbeing, fighting social exclusion.

**Our responsibility measures and their development are steered by research results combined with feedback and requests from customers, suppliers and other stakeholders.**





- ❶ Controlling the availability of alcohol with opening hours and the number of stores.
- ❷ Cooperation to mitigate the harmful effects of alcohol. Support for alcohol research.
- ❸ Responsible customer service: sales supervision, purchase ban agreement.
- ❹ Communications about alcohol and health.
- ❺ Responsible pricing. Balanced product displays.
- ❻ Non-alcoholic and low-alcohol products, small package sizes.
- ❼ Promoting the culinary arts and drinking culture through multiple channels.



# OPERATING ENVIRONMENT

Alko’s strategy has taken changes in our operating environment into consideration, for example, in the development of our product range and services. Alko’s mission, strategy and action plan all revolve around responsibility. Responsibility is reflected in every employee’s daily work.

Alcohol legislation changed in 2018. The main changes were the removal of restrictions on production methods and an increase in the ABV of alcoholic beverages sold in grocery stores. The changes affected the distribution of sales between Alko and the grocery trade. The grocery trade has more than 5,000 sales points that sell alcohol. At the beginning of 2020, Alko had 360 stores and about 100 pick-up points for online orders. The alcohol tax rose at the beginning of both 2018 and 2019. These legislative amendments and tax increases led to a decline in Alko’s sales in 2019.

Changes in Estonia and Latvia’s alcohol policy impacted travellers’ private imports. In summer 2019, Estonia reduced its alcohol tax on beer, cider, long drinks and spirits, while Latvia reduced its tax on spirits. Alcohol consumption in Finland declined by almost a fifth in the period 2007–2017. Sales statistics for 2019 indicate that this fall in alcohol consumption (both recorded and unrecorded) has since flattened out. The impact that these changes – that is, in the Alcohol Act and neighbouring countries’ alcohol policies – will have on Finland’s alcohol market is still difficult to assess, as it will take years for both their effects on various actors’ businesses and the harmful effects of alcohol to become apparent.

Trends in the general economy will also impact Alko’s outlook for the near future. Over the long term, Alko’s operations will be affected by factors such as technological advancement, consumers’ expectations, and more complex consumer decision processes. The health and wellbeing megatrend is continuing and customers are increasingly interested in non-alcoholic and responsibly produced beverages. Con-



sumers’ preferences have also continued to diversify. Urbanisation and an aging population will continue to drive developments in Finland. Alko’s strategy has taken changes in our operating environment into consideration, for example, in the development of our product range and services.

Responsibility is a megatrend that gained strength last year as well, and companies will play an increasingly relevant role. Consumers are expecting more concrete action to combat climate change. They require information about the health impacts of alcohol, guidance on making responsible purchases, and transparency in the entire supply chain. Alko’s mission, strategy and action plan all revolve around responsibility. Responsibility is reflected in every employee’s daily work.

**Consumers want information about the health impacts of alcohol, guidance on making responsible purchases, and transparency in the supply chain.**



# STRATEGY AND OBJECTIVES

Our strategy has been drawn up in collaboration with all Alko personnel. It also takes into account our customers' and stakeholders' expectations and changes in our operating environment.

**A**lko's strategy for 2019–2021 has set even more ambitious targets for responsibility and customer experience. Alko's strategy was updated in 2018. All Alko employees were given the opportunity to participate in our strategy work at an online workshop and in working groups. 2,277 ideas were presented at the online workshop, all of which have been taken into consideration in our strategy. Our strategy was reviewed in managerial and team meetings, and also with the aid of our online strategy games.

In accordance with Alko's mandate, our strategy revolves around the responsible sale of alcohol, and this is taken into consideration in all of our activities. We set an even more ambitious goal for our mission: the most responsible way to sell alcohol in the world. Responsibility is a strong megatrend, and consumers are demanding companies to operate even more responsibly.

Alko has been a part of Finnish society since 1932. We will be getting our customers even more involved in the development of our operations, to ensure that we serve both our customers and Finland's welfare society to the best of our ability. Our vision is to be esteemed by our customers. This will be achieved by creating an excellent customer experience, taking responsible action, and ensuring that our operations are efficient and agile.

Since 2011, customers have held Alko's service to be the best in the Finnish retail sector. During the current strategy period, we want to provide our customers with even better world-class service. We are further streamlining our service both within and between our various channels.

Alko's strategy has four strategic priorities

- world-class service
- responsible enjoyment
- success through enthusiasm
- agile and efficient

## WORLD-CLASS SERVICE

Changes in our operating environment spur us on and continually raise the bar. Our customers expect improved service, more service channels, and a product selection that is perfectly suited to them. We want to meet these expectations to the best of our ability. Our diverse and ever-evolving selection enables customers to take an armchair tour of the world from their own living rooms. Alko's stores and digital channels provide knowledgeable service via a comprehensive network consisting of stores, pick-up points, our online shop and our mobile app.

## RESPONSIBLE ENJOYMENT

We have divided Alko's responsibility into seven areas: fair to everyone, high-quality alternatives for customers, championing wellbeing, fighting social exclusion, uncompromisingly responsible service, promoting food and drink culture, making the invisible visible, and environmentally friendly choices. Responsibility is an important value for all Alko staff, and we make sure it is realised in all of our work and decisions.

Alko treats everyone equally and transparently and without discrimination. We want to give our customers the opportunity to make responsible choices, and we also take concrete action to increase the wellbeing of both people and the environment. In the future, customers will be able to trace a product's journey from 'field-to-flagon'. This will help customers who want to make purchase decisions that are in the best interests of not only the environment but also the people and communities involved in primary production.

The sale of alcohol is about more than individual freedom, as it involves many social and health-related risks for both individuals and society as a whole. Alko does not aim to sell as much alcohol as possible. When selling alcohol, Alko is uncompromising in its age-limit checks. Alko implements projects to promote responsible

**Mission:**  
**The most responsible way to sell alcohol in the world**

**Vision:**  
**Esteemed by customers**

**Customer promise:**  
**World-class service**



# CHANGES IN OUR OPERATING ENVIRONMENT

- Customers' increasingly diversifying wishes
- Growing regional variations
- Responsibility and wellbeing increasingly important
- Declining environmental sustainability
- New working habits and increased competition in labour markets
- New technologies and ecosystems
- New legislation has changed the market

MISSION  
**THE MOST RESPONSIBLE  
WAY TO SELL ALCOHOL  
IN THE WORLD**

CUSTOMER PROMISE  
**WORLD-CLASS  
SERVICE**

# OBJECTIVES

- World-class service**  
Leading the way in customer experience
- Responsible enjoyment**  
A pioneer in responsibility
- Success through enthusiasm**  
The most wanted employer in service sector
- Agile and efficient**  
Has economic impact

VISION  
**ESTEEMED BY  
CUSTOMERS**



alcohol consumption in collaboration with a variety of organisations and associations. These projects seek to increase wellbeing for people living in Finland and combat social exclusion.

SUCCESS THROUGH ENTHUSIASM

Skilled and motivated Alko staff provide responsible, world-class service through all channels. Personnel are involved in our operational development in a variety of ways. We engage in long-term efforts to improve the competence of Alko staff and our considerable investments in competence will continue. Our multiple-store approach to work enables staff to develop their own competence and provide the best possible customer service. We invest in success by supporting leadership and supervisory work, in terms of both personal competence development and sharing knowledge with colleagues. We want to be a workplace community in which everyone has the chance to succeed.

AGILE AND EFFICIENT

At Alko, we continually improve and develop our operations. Operational efficiency is important, and Alko’s efficiency is assessed in collaboration with external experts. The Innovation Lab is our way of making fast and experimental developments. It seeks to understand, explore and implement potential business ideas through either technology or service design. All these experiments take a user-oriented approach. Ideas are turned into concepts, which are then tested in practice. Depending on the results, the idea concept will then be further developed or abandoned. The taxes, fees and profits collected via Alko benefit everyone who lives in Finland.

Focal area	Objective	Indicators	Success (2019)
The most responsible way to sell alcohol in the world	Alko's approval rating	<ul style="list-style-type: none"><li>Opinions on alcohol policy (Kantar TNS, THL)</li></ul>	<ul style="list-style-type: none"><li>62 per cent of Finns think that Alko is a good method of limiting the harmful effects of alcohol consumption (target 60 per cent).</li></ul>
World-class service	Leading the way in customer experience	<ul style="list-style-type: none"><li>National customer service feedback survey, Taloustutkimus Oy</li><li>Online shop praise index</li><li>Selection satisfaction (Dagmar Drive)</li></ul>	<ul style="list-style-type: none"><li>An average score of 8.57 (target 8.58) in the national customer service feedback survey (KAP). Number one in the retail sector for the eighth year in a row.</li><li>Online shop praise index 73 (target 71)</li><li>Selection satisfaction 8.52 (target 8.53)</li></ul>
Responsible enjoyment	A pioneer in responsibility	<ul style="list-style-type: none"><li>Confidence and Reputation survey (T-Media Oy)</li><li>Team-specific responsibility targets</li></ul>	<ul style="list-style-type: none"><li>Confidence and Reputation survey, responsibility index 3.44 (target 3.37).</li><li>All teams had responsibility targets that were achieved with a 78 per cent success rate.</li></ul>
Success through enthusiasm	The most desirable employer in the service sector	<ul style="list-style-type: none"><li>Most Attractive Employer survey (Universum)</li><li>Pulse index</li></ul>	<ul style="list-style-type: none"><li>Fourth place in the Most attractive employer in the service sector survey (target third place)</li><li>The Pulse and Personnel Motivation Index remained at a good level: 3.91 (target 4.05).</li></ul>
Agile and efficient	Has economic impact	<ul style="list-style-type: none"><li>Costs/net sales</li><li>External agility measurement (Accenture)</li></ul>	<ul style="list-style-type: none"><li>Costs/net sales 26.7% (target 27.1%)</li><li>Agility 3.0 (target 2.9)</li></ul>



# ALKO IN 2019

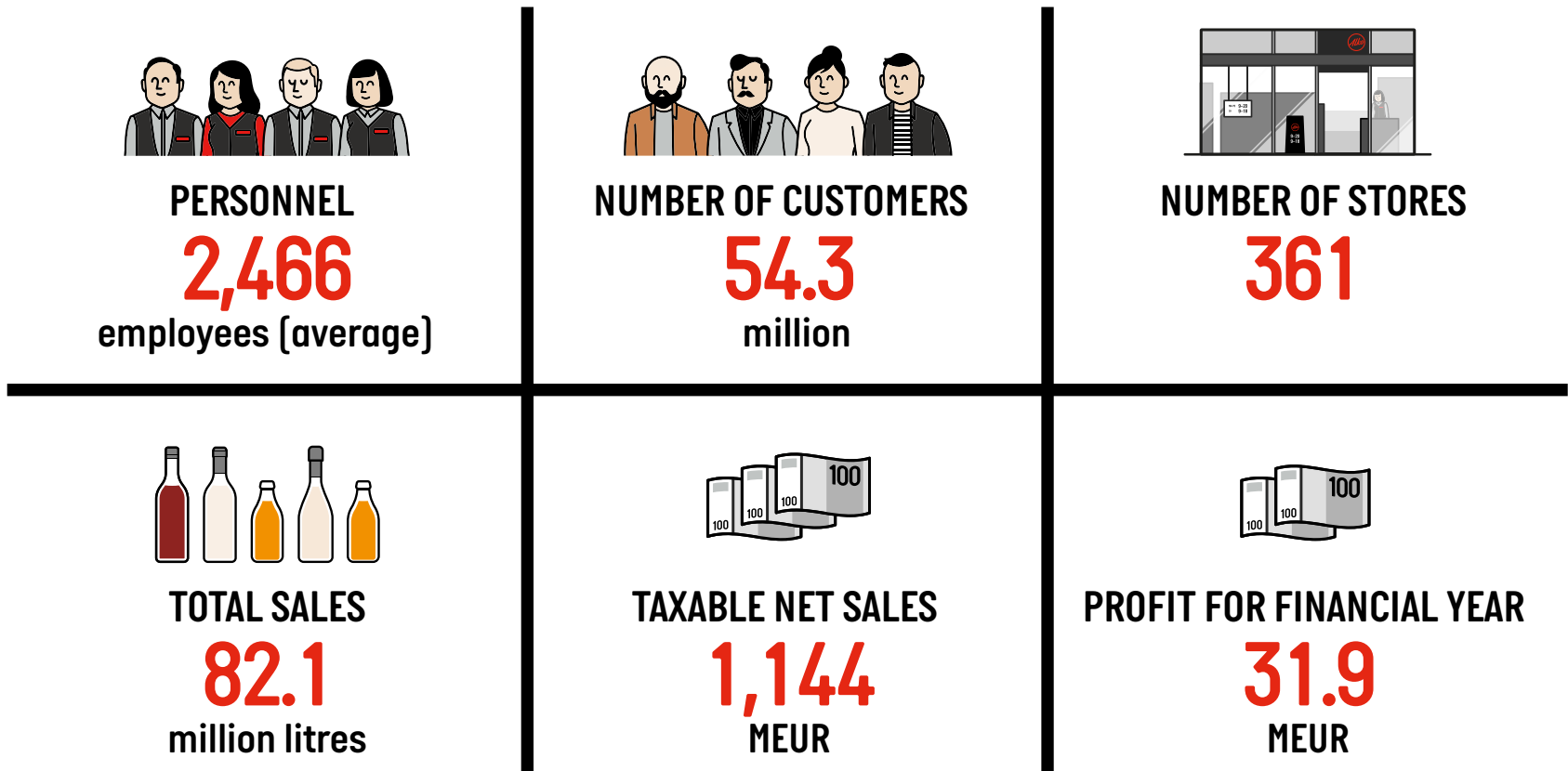
Our customers expect improved service, more service channels, and a product selection that is perfectly suited to them.

An average of 2,466 staff provide in-store customer service. Our selection includes beverages from about 77 countries. Alko's head office is in Helsinki and we have four regional offices around Finland. Alko had 361 stores at the end of 2019. We opened two new stores in 2019: one in Tesoma in Tampere and the other at the Mall of Tripla shopping centre in Helsinki. No stores were closed.

- 2,466 employees (on average)
- 361 stores and 100 order pick-up points
- 10,991 alcoholic beverages
- 651 beverage suppliers
- 54.3 million customer visits
- Net sales: EUR 1,144 million
- Operating profit: EUR 40.1 million
- Equity ratio: 35.5%
- State ownership: 100%
- Established: 1932
- President & CEO: Leena Laitinen
- Head office: Helsinki

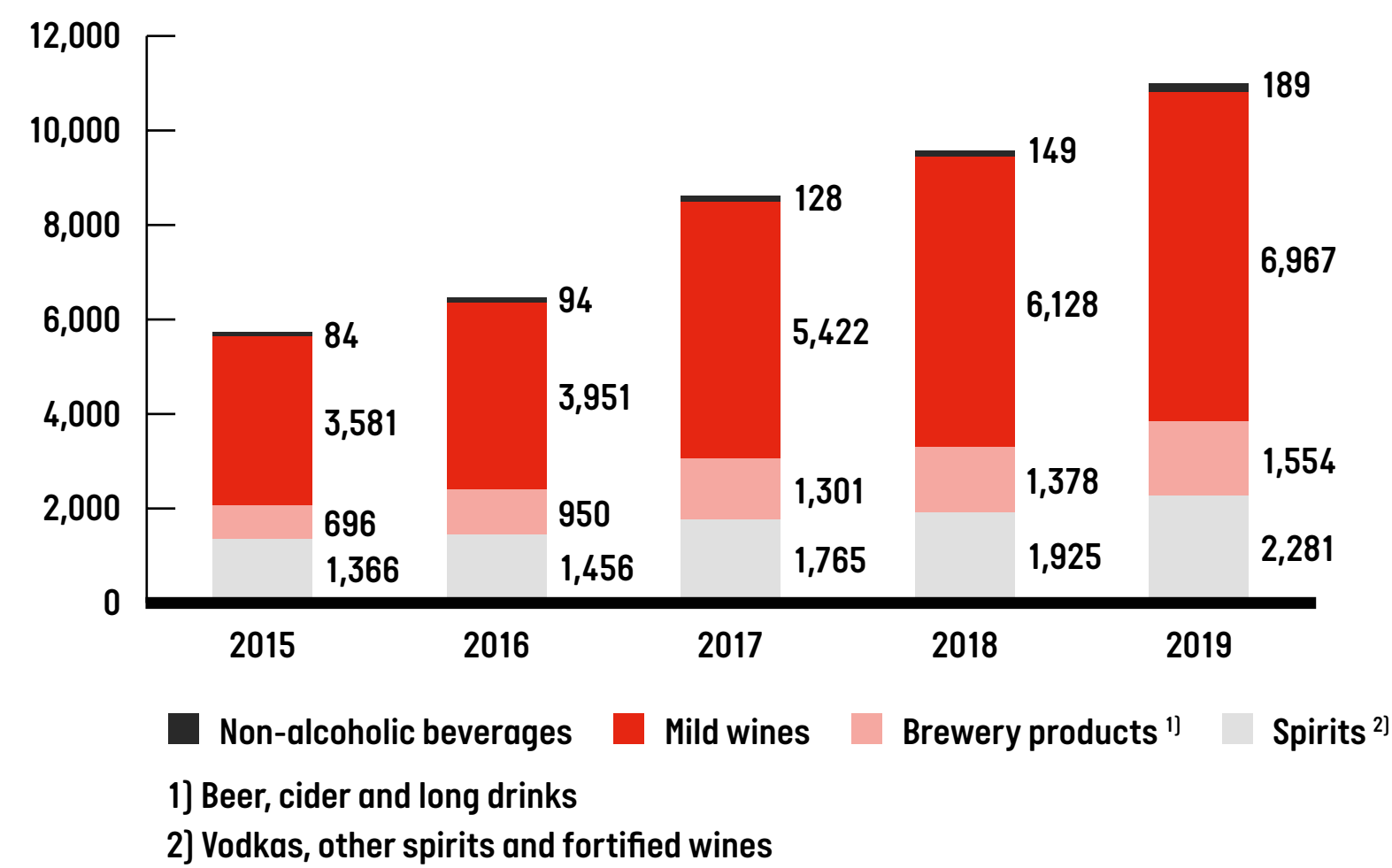


## KEY FIGURES 2019



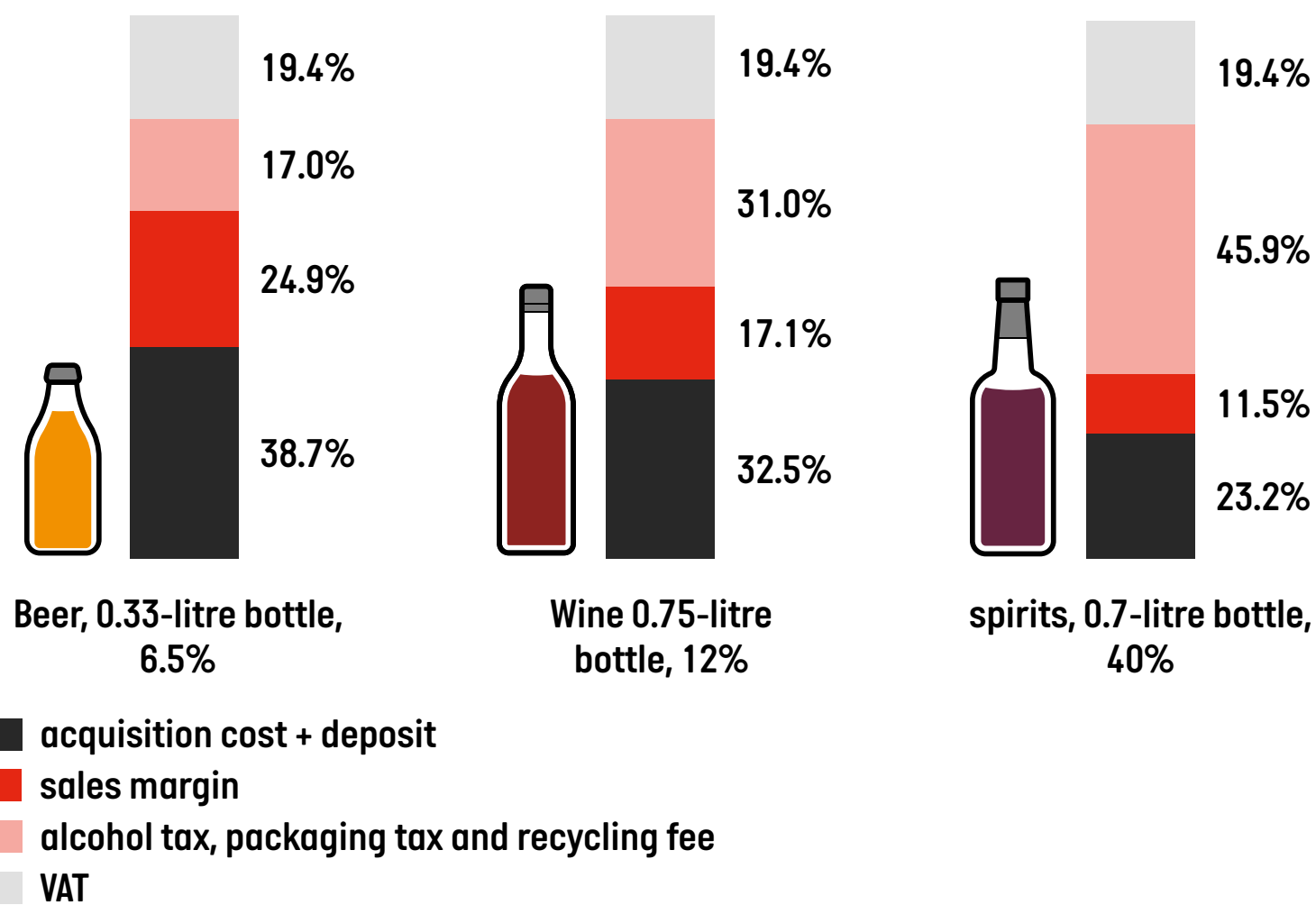


NUMBER OF PRODUCTS SOLD BY ALKO BY PRODUCT GROUP

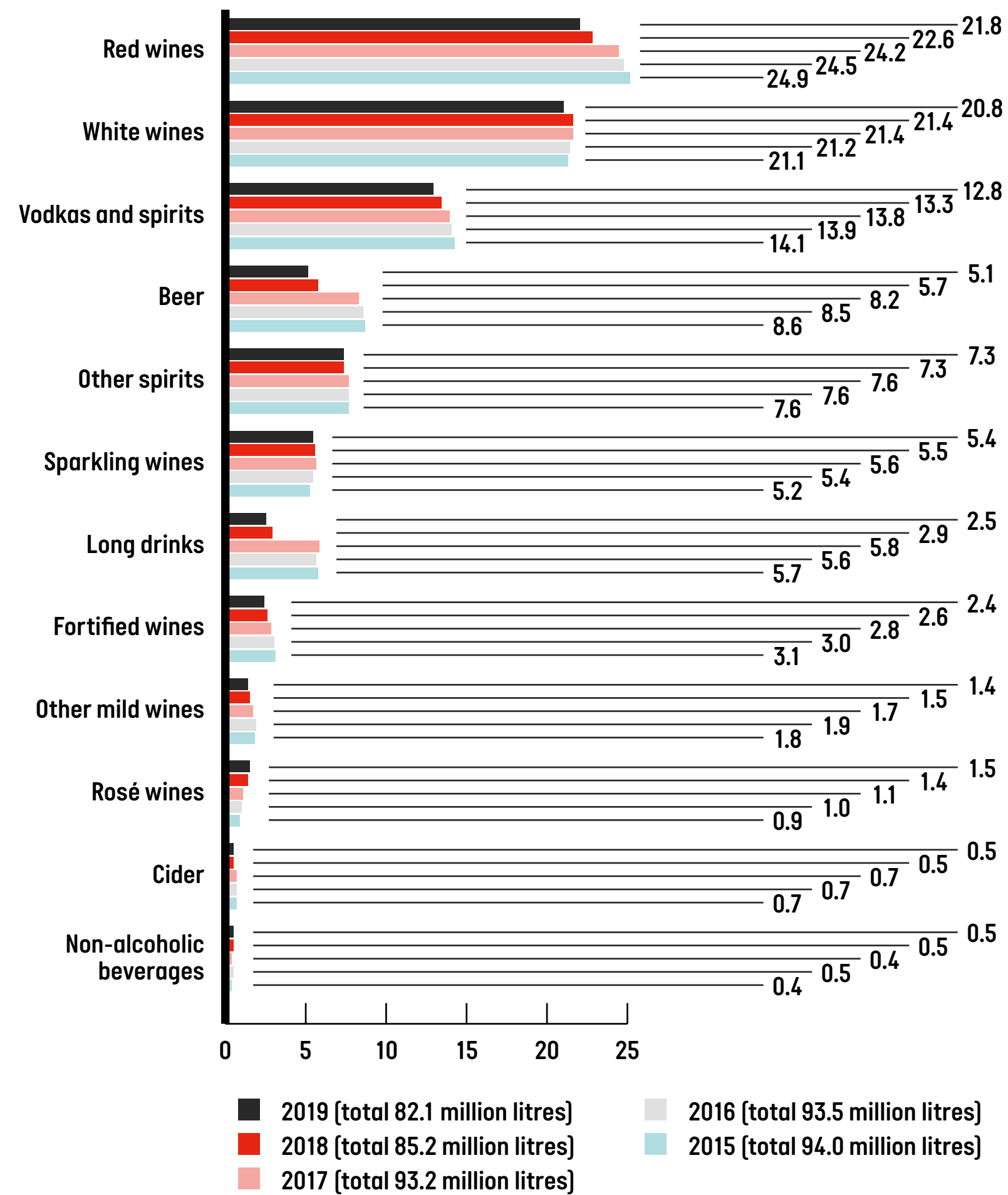


The figures include all products sold and all bottle and package sizes.

PRICE FORMATION AMONG DIFFERENT ALCOHOLIC DRINKS



ALKO SALES BY PRODUCT GROUP, MILLION LITRES





# GOVERNANCE

1. CORPORATE GOVERNANCE

2. BOARD OF DIRECTORS  
AND COMMITTEES

3. MANAGEMENT TEAM

4. MANAGEMENT'S REMUNERATION

5. RISK MANAGEMENT



# CORPORATE GOVERNANCE

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

## ALKO INC.'S OWNERSHIP AND CORPORATE GOVERNANCE

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

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

The Ministry of Social Affairs and Health adheres to the Ownership Steering Act (1368/2007) and cooperates with the Ownership Steering Department of the Prime Minister's Office.

Alko's [Corporate Governance](#) principles are available on the company's website.

## ETHICAL PRINCIPLES

Openness and transparency are the basis for all of Alko Inc.'s operations. During 2019, Alko's [Ethical Principles](#) were assessed and revised to better reflect the company's strategy and values. We called these revised principles our Ethical Principles, and they guide every Alko employee's ethical and responsibility-related activities in accordance with the company's values and principles. The key principles are integrity and legality, responsibility, a functional workplace community, transpar-

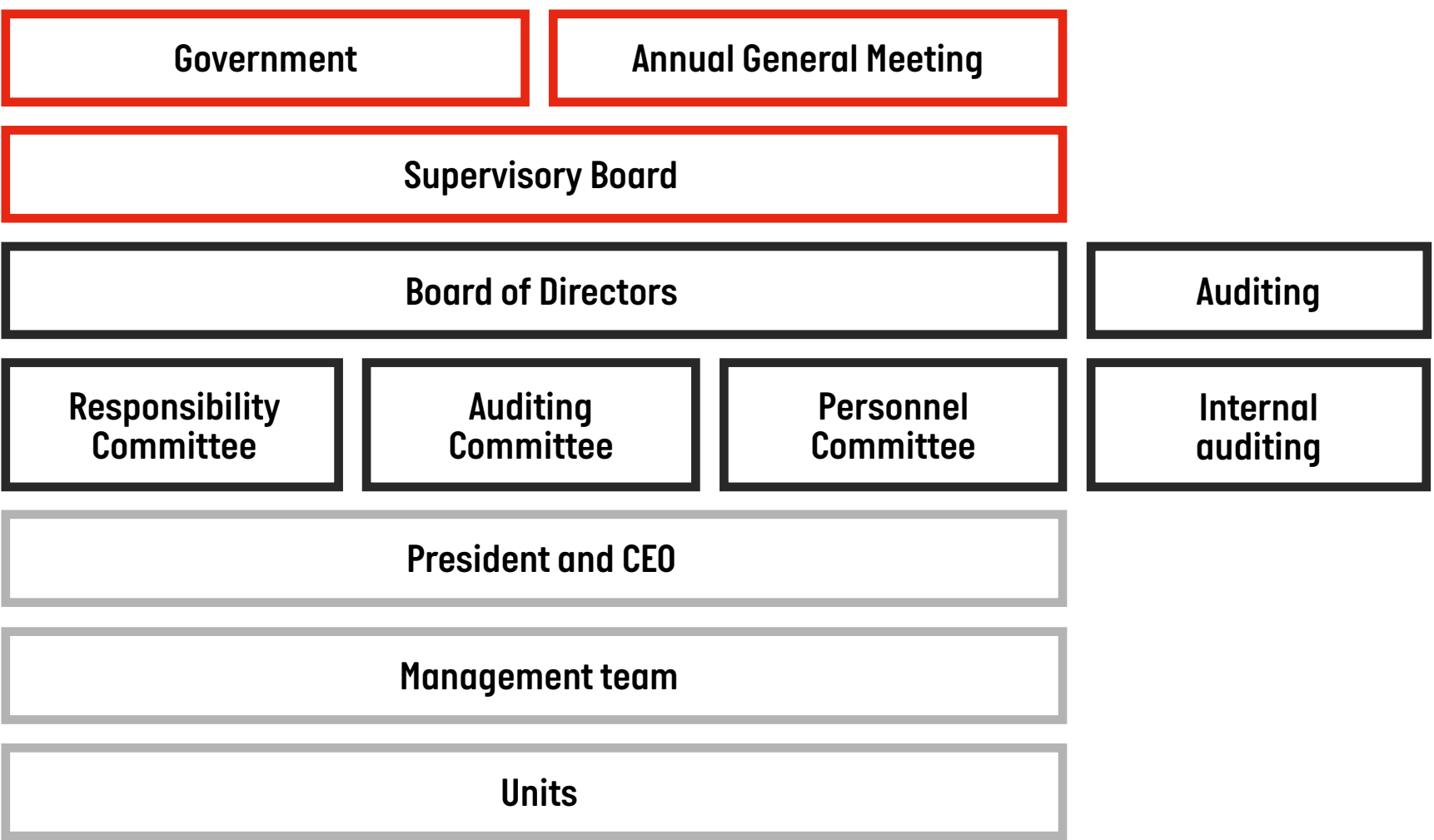
ency and equality, and a customer-oriented approach. The new principles place an even broader emphasis on responsibility. A new element was also added – a functional workplace community – in which we respect diversity and equality.

All personnel will complete an online training course on the new ethical principles in early 2020. Completion of this training will be monitored via our HR system. The Ethical Principles are also included in the company's induction programme. Any changes to these principles are approved by the Board of Directors.

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

**During 2019, Alko's Ethical Principles were assessed and revised to better reflect the company's strategy and values.**

## ALKO'S ORGANISATION





non-compliance to their own supervisor, the supervisor's immediate supervisor, or the internal audit function. The company does not have a separate system for reporting non-compliance.

During 2019, there were no corruption-related legal cases in which Alko Inc. was the defendant.

## AGM AND SUPERVISORY BOARD

### Annual General Meeting

Alko Inc.'s Annual General Meeting must take place once a year before the end of June. The Ministry of Social Affairs and Health appoints a representative to the Annual General Meeting. The Annual General Meeting decides, in accordance with the Companies Act, on such matters as adoption of the financial statements, profit distribution, exemption from liability, the fees of members of the Supervisory Board, the election and fees of members of the Board of Directors, the election and fees of the auditors, and on whether to amend the Articles of Association. According to the Government Resolution on State Ownership Policy given on 13 May 2016, state-owned companies must report the achievement of significant social responsibility objectives to the Annual General Meeting, and must also describe their remuneration policy and justify any performance-related incentives that have been paid.

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

### Supervisory Board

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

The Supervisory Board's tasks are:

- to ensure that the company's affairs and administration are handled according to sound business principles, with an eye to profitability, and to ensure compliance with legislation, the provisions of the Articles of Association, the decisions of the Annual General Meeting and other approved instructions

- to give instructions to the Board of Directors in far-reaching matters of fundamental importance
- to monitor alcohol-related trends both in Finland and abroad and, on the basis of this, to issue general guidelines on how to develop the alcohol company's operations
- to ratify an action plan to reduce the harmful effects of alcohol (as specified in Section 1 of the Alcohol Act), and to issue a report on the company's retail sales (as specified in Section 24 of the Alcohol Act) and the measures taken to reduce the harmful effects referred to in the aforementioned Section 1
- to give the Annual General Meeting a statement concerning the company's financial statements and auditors' report.

The Supervisory Board for the 2016–2019 term consisted of Vesa-Matti Saarakkala (Chair), Anna-Maja Henriksson (Vice-Chair) and, as members, Tuula Haatainen, Susanna Huovinen, Antti Kaikkonen, Pauli Kiuru, Osmo Kokko, Ulla Parviainen, Aino-Kaisa Pekonen, Tuomo Puumala, Päivi Räsänen and Sari Sarkomaa. The Supervisory Board granted MP Tuomo Puumala permission to resign from his Supervisory Board duties as of 1 July 2017 and appointed MP Pekka Puska in his place. The Supervisory Board granted MP Antti Kaikkonen permission to resign from his Supervisory Board duties as of 16 October 2017 and appointed MP Juha Rehula in his place. The Supervisory Board granted MP Aino-Kaisa Pekonen permission to resign from her Supervisory Board duties as of 18 June 2019 and appointed MP Jari Myllykoski in her place. The Supervisory Board also granted MP Anna-Maja Henriksson permission to resign from her Supervisory Board duties as of 8 August 2019 and appointed MP Mats Löfström in her place as Vice-Chair of the Supervisory Board for the remainder of its term.

Alko Inc.'s Supervisory Board for the 2020–2023 term will consist of MP Arja Juvonen (Chair) and MP Hannakaisa Heikkinen (Vice-Chair) and, as members, MPs Outi Alanko-Kahiluoto, Kim Berg, Petri Honkonen, Pauli Kiuru, Ari Koponen, Mats Löfström, Jari Myllykoski, Tom Packalén, Sari Sarkomaa and Tuula Väättäinen.

Director Jari Keinänen has represented the Ministry of Social Affairs and Health on the Supervisory Board as of the beginning of 2019. Representation of the Ministry of Social Affairs and Health on the Supervisory Board is decreed by Section 24 of the Alcohol Act. The Supervisory Board meets approximately six times a year.



# BOARD OF DIRECTORS AND COMMITTEES

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

## BOARD OF DIRECTORS

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

Prospective Board members must have the required competence, sufficient and diverse expertise, and complementary experience and knowledge of the sector. In accordance with its mandate, Alko cooperates with a variety of organisations to prevent the harmful effects of alcohol consumption. These organisations primarily come from the same sectors as those represented by Alko's Board members.

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

The key tasks of the Board of Directors include:

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

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

On 25 April 2019, the Annual General Meeting elected Harri Sailas as Chair of Alko's Board of Directors and Kirsi Varhila as Vice-Chair. Markku Tervahauta, Kuisma Niemelä, Kirsi Paakkari, Pekka Perttula and Ulrika Romantschuk were elected as Members of the Board. The previous Board consisted of Harri Sailas (Chair), Kirsi Varhila (Vice Chair), Juhani Eskola, Kuisma Niemelä, Kirsi Paakkari, Pekka Perttula and Ulrika Romantschuk. Kirsi Varhila resigned from the Board of Directors as of 1 October 2019 on her appointment as Permanent Secretary of the Ministry of Social Affairs and Health. The owner appointed Markku Tervahauta as Vice-Chair of the Board as of 1 October 2019 with a unanimous decision as specified in the Companies Act. Person-



nel representatives Riina Väntsi (Juha Parviainen from 1 May to 28 October) and Sini Heikkinen attended the Board of Directors' meetings without the right to vote. More detailed information about Alko's Board members is given at the end of this report.

The Board convened ten times during the year. The members of the Board of Directors are independent of the company, and the majority are independent of the company's owner. Markku Tervahauta is Director General of the National Institute for Health and Welfare and Kirsi Varhila works for the Ministry of Social Affairs and Health. Alko's President & CEO Leena Laitinen attends Board meetings, along with the Executive Vice President, Finance (Anton Westermarck) and Legal Counsel (Jonna Björklund) as Secretary.

### COMMITTEES OF THE BOARD OF DIRECTORS

Alko's Board of Directors has three committees: the Auditing, Personnel and Responsibility Committees. The Board appointed the current chairs and members of these committees at its meeting on 14 May 2019. The Board has established rules of procedure for each committee, and these include its key tasks and principles.

#### Auditing Committee

The Auditing Committee assists the Board of Directors in managing the supervision tasks assigned to it.

The Auditing Committee's tasks are as follows:

- to oversee the financial reporting process
- to evaluate the adequacy and effectiveness of internal control and risk management
- to supervise internal auditing
- to process and evaluate auditing and auditor-related matters
- to ensure compliance with legislation, regulations and other provisions
- to prepare a proposal on the choice of auditor for the Annual General Meeting
- to evaluate the independence of the auditor and the scope and quality of the audit
- to evaluate accounting principles and bookkeeping practices

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

The Auditing Committee consists of Kuisma Niemelä (Chair) and members Kirsi Paakkari and Ulrika Romantschuk. The President & CEO (Leena Laitinen) and the Executive Vice President, Finance (Anton Westermarck) act as the committee's presiding officers, while the Head of Internal Audit (Sirkku Karjalainen) acts as secretary for the committee.

#### Personnel Committee

The Personnel Committee assists the Board of Directors in supervising and preparing the company's personnel policies and practices, and in organisational development. It also assists the Board in all tasks related to remuneration schemes and employment relationships. The committee consists of at least three members of the Board of Directors. The Personnel Committee meets approximately six times a year.

The Personnel Committee consists of Harri Sailas (Chair), Kuisma Niemelä and Kirsi Varhila (until 1 October 2019). On 23 October 2019, the Board elected Markku Tervahauta as a member of the committee to replace Varhila. The Committee's presiding officer is Leena Laitinen (President & CEO) and its secretary is Heli Hassinen-Biberger (Executive Vice President, Human Resources).

#### Responsibility Committee

At its meeting on 12 March 2019, the Board of Directors decided to change the name of the Alcohol Policy Committee to the Responsibility Committee. The Responsibility Committee assists and supports the company's Board of Directors in an advisory role in order to achieve social and health policy objectives in accordance with the Alcohol Act and to attain the company's other strategic targets for responsibility. The committee consists of three or four members of the Board of Directors. Experts from the Ministry of Social Affairs and Health also attend committee meetings when necessary. The Responsibility Committee convenes approximately four times a year.

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



MEMBERS OF THE BOARD OF DIRECTORS



Harri Sailas

b. 1951  
Chair of the Board  
Master of Economics and Business Administration  
Member of the Board since 2014 (19 December 2014–)

Positions of trust:

Finavia Corporation, Chair of the Board (2015–)  
Merame Oy, Chair of the Board (2017–)  
Solidium Oy, Chair of the Board (2016–)  
Sponlator Oy, Chair of the Board (19 December 2019–)  
The Helsinki Deaconess Institute Foundation, Member of the Board of Trustees (2015–)  
HSE Foundation, Vice-Chair of the Board of Trustees (2014–)



Markku Tervahauta

b. 1962  
Vice-Chair of the Board  
Doctor of Medical Science  
Director General, National Institute for Health and Welfare  
Member of the Board since 2019

Positions of trust:

The Helsinki Deaconess Institute Foundation, Member of the Board of Trustees (2019–)



Kuisma Niemelä

b. 1958  
Member of the Board  
Master of Philosophy, D.Sc (Econ.) h.c.  
Member of the Board since 2014

Positions of trust:

Joutsen Finland Oy, Board Member (2014–)  
Oy Checkmark Ab, Member of the Board (2017–)  
Ruokaboksi Oy, Chair of the Board (2018–)  
Partiosäätiö-Scoutstiftelsen rs, Member of the Board of Trustees (2013–)



Kirsi Paakkari

b. 1963  
Member of the Board  
Master of Science (Economics)  
Kalevala Jewelry, Managing Director  
Member of the Board since 2018

Positions of trust:

Chair of the Cultural Foundation of Kalevala Jewelry (2019–)  
Member of the Board of the Employers' Association of Goldsmiths (2019–)



MEMBERS OF THE BOARD OF DIRECTORS



Pekka Perttula

b. 1960  
Member of the Board  
Doctor of Political Science  
Member of the Board since 2018

Positions of trust:

Farmasialiiton Palvelut Oy, Member of the Board (2019–)  
Maahenki Oy, Chair of the Board (2019–)  
Association for Rural Culture and Education, Chair (2016–)



Ulrika Romantschuk

b. 1966  
Member of the Board  
Bachelor of Political Science  
Fazer Group, Executive Vice President, Communications & Branding  
Member of the Board since 2017

Positions of trust:

Delegation for Swedish Affairs at the University of Helsinki, Member (2013–), Chair (2016–)  
Natural Resources Institute Finland, Member of the Management Board (2018–)  
Association for Finnish Work, Vice-Chair of the Board of Governors (2014–)  
WWF Finland, Member of the Supervisory Board (2016–)



Sini Heikkinen

Personnel representative  
b. 1974  
Chief occupational safety delegate  
Chair of the ALV Union

Positions of trust:

Service Union PAM, Member of the Board (2010–2023)  
Central Organisation of Finnish Trade Unions (SAK), Member of the Representative Assembly (2011–2020)



Riina Väntsi

Personnel representative  
b. 1973  
Service Manager  
Chair of Alkoholialan Toimihenkilöt ry

Positions of trust:

Trade Union PRO, Member of the Representative Assembly (2019–2020)



# MANAGEMENT TEAM

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

## MANAGEMENT TEAM

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

In 2019, the company's Management Team consisted of Leena Laitinen (President & CEO), Kari Pennanen (Deputy CEO and Executive Vice President, Stores and Facilities), Minna Alitalo (Executive Vice President, Purchases, until 30 November 2019), Mika Kauppinen (Acting Assortment and Purchasing Director until the appointment of a new Director, as of 1 December 2019), Maritta Iso-Aho (Executive Vice President, Communications), Paula Kujansivu (Vice President, Online and Supply Chain until 30 November 2019), Merja Rissanen (Executive Vice President, Personnel, until 23 April 2019), Tanja Martin (Acting Executive Vice President, Personnel, 24 April–22 October 2019), Heli Hassinen-Biberger (Executive Vice President, Personnel, as of 22 October 2019), and Anton Westermarck (Executive Vice President, Finance). The Management Team meets regularly, on average twice a month. More detailed information about Management Team members is given at the end of the text section.

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

## PRESIDENT & CEO

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

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



MANAGEMENT TEAM MEMBERS, 31 DECEMBER 2019



**Leena Laitinen**  
b. 1970  
Master of Economics and Business Administration  
President & CEO  
Joined Alko in 2017



**Heli Hassinen-Biberger**  
b. 1970  
MA, MBA  
Executive Vice President, Human Resources  
Joined Alko on 23 October 2019



**Maritta Iso-Aho**  
b. 1964  
Master of Administrative Sciences, eMBA  
Executive Vice President, Communications  
Joined Alko in 2008



MANAGEMENT TEAM MEMBERS, 31 DECEMBER 2019



**Mika Kauppinen**

b. 1973  
eMBA  
Acting Assortment and Purchasing Director  
(as of 1 December 2019)  
Joined Alko in 2009



**Kari Pennanen**

b. 1964  
Master of Social Sciences, eMBA,  
Certified Real Estate Manager  
Vice President  
Joined Alko in 1989



**Anton Westermarck**

b. 1968  
Master of Economics and Business Administration  
Executive Vice President, Finance  
Joined Alko in 2014



# SALARY AND REMUNERATION REPORT 2019

The salary and remuneration report shows the wages, salaries and other remuneration paid to members of the Supervisory Board, Board of Directors and Management Team during the year in question.

## SUPERVISORY BOARD

The 2019 Annual General Meeting decided on the following fees for members who were present at Supervisory Board meetings:

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

The Supervisory Board convened six times in 2019.  
The attendance rates and fees paid are shown in the table to the right.

## BOARD OF DIRECTORS

The 2019 Annual General Meeting decided on the following fees for members of the Board of Directors:

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

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

The Board of Directors met ten times in 2019. Two meetings (on 23 April 2019 and 3 July 2019) were held as email meetings, and the Chair of the Board decided that no attendance fees were to be paid for these meetings.

The attendance rates and fees paid are shown in the table on the next page.

## MEETINGS OF THE SUPERVISORY BOARD – ATTENDANCE RATES AND FEES PAID

Member of the Supervisory Board	Attendance at meetings, %	Fees, EUR
Vesa-Matti Saarakkala, Chair	100	6,000
Anna-Maja Henriksson, Vice-Chair until 7 August 2019	67	1,600
Tuula Haatainen, member	67	2,800
Susanna Huovinen, member	67	2,800
Pauli Kiuru, member	100	4,200
Osmo Kokko, member	17	700
Ulla Parviainen, member	50	2,100
Aino-Kaisa Pekonen, member until 17 June 2019	67	1,400
Pekka Puska, member	83	3,500
Juha Rehula, member	50	2,100
Päivi Räsänen, member	100	4,200
Sari Sarkomaa, member	100	4,200
Mats Löfström, Vice-Chair as of 8 August 2019	100	2,400
Jari Myllykoski, member as of 18 June 2019	100	2,100
Total		37,700

Fees are reported in accordance with the number of meetings held during 2019.



## MEETINGS OF THE BOARD OF DIRECTORS – ATTENDANCE RATES AND FEES PAID

Member of the Board*	Attendance at meetings, %	Monthly fees, EUR	Board meeting fees, EUR	Committee meeting fees, EUR	Fees in total, EUR
Harri Sailas, Chair	100	33,000	4,800	3,600	41,400
Kirsi Varhila, Vice-Chair until 30 September 2019*	100	11,700	3,600	2,400	17,700
Markku Tervahauta, member as of 25 April 2019, Vice-Chair as of 1 October 2019*	100	9,400	3,600	2,400	15,400
Juhani Eskola, member until 24 April 2019*	100	4,400	1,200	600	6,200
Kuisma Niemelä, member	90	13,200	4,200	6,600	24,000
Kirsi Paakkari, member	100	13,200	4,800	3,000	21,000
Pekka Perttula, member	100	13,200	4,800	2,400	20,400
Ulrika Romantschuk, member	100	13,200	4,800	5,400	23,400
<b>Total</b>		<b>111,300</b>	<b>31,800</b>	<b>26,400</b>	<b>169,500</b>

\* The composition of the Board of Directors changed at the Annual General Meeting of 25 April 2019. Fees for 2019 are reported in accordance with the number of meetings held during the year.

## REMUNERATION FOR THE PRESIDENT & CEO AND THE MANAGEMENT TEAM

Based on the Personnel Committee's proposal, the Board of Directors decides on remuneration for the President & CEO and the Management Team. Management's remuneration complies with the decision in principle on State ownership that was issued by the Ministerial Committee on Economic Policy on 13 May 2016.

## SALARIES AND WAGES

	Total salary, EUR		Short-term incentive, paid annually*, EUR		Benefits in kind, EUR		Total, EUR (monetary salary + incentive + benefits in kind)	
	2019	2018	2019	2018	2019	2018	2019	2018
President & CEO	340,600	336,373	100,138	0	15,000	14,686	455,738	351,060
Other members of the Management Team	956,599	1,069,581	288,870	295,426	29,818	26,409	1,275,287	1,391,416
<b>Total</b>	<b>1,297,199</b>	<b>1,405,954</b>	<b>389,008</b>	<b>295,426</b>	<b>44,818</b>	<b>41,095</b>	<b>1,731,025</b>	<b>1,742,475</b>

\* The incentive bonus for the year 2019 is based on the reward earned in 2018 and paid in 2019.

## PENSIONS AND NOTICE PERIODS

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

## ANNUAL PAYMENTS OF ADDITIONAL PENSIONS

	2018, EUR*	2017, EUR*
President & CEO	-	-
Other members of the Management Team	108,109	92,962
<b>Total</b>	<b>108,109</b>	<b>92,962</b>

\* Does not include potential refunds.



# RISK MANAGEMENT

We engage in effective risk management to prepare for both strategic and operational risks.

## INTERNAL CONTROL AND 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) makes an annual report to the European Commission on the extent to which Alko Inc., as the holder of the sole right to sales of alcoholic beverages in Finland, has observed the required impartiality and transparency in its relations with suppliers. This report also takes account of a statement made by the Finnish Competition Authority. The National Supervisory Authority for Welfare and Health (Valvira) monitors Alko's retail sales. In issues concerning Alko's decisions on the stocking, destocking and pricing of alcoholic beverages, appeals may be made to Valvira, the Administrative Court and the Supreme Administrative Court.

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

## RISK MANAGEMENT AND INTERNAL AUDITING

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

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

## THE MOST CRITICAL RISKS

- Amendments to the Alcohol Act
- Changes in alcohol taxation may affect travellers' private imports of alcoholic beverages, thereby impacting Alko's sales trend and profitability.
- Selling alcohol to minors and intoxicated persons in violation of Alko's customer service principles.
- Disruptions in ICT services.
- Environmental and social responsibility risks in the alcoholic beverage supply chain.

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

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

## AUDITING

The company has one auditor, which must be a firm of authorised public accountants approved by the Central Chamber of Commerce in Finland. The auditor's term of office is one financial year and the auditor's work ends upon completion of the next Annual General Meeting following its election. In spring 2019, the Annual General Meeting elected KPMG Oy Ab, a firm of Authorised Public Accountants, as the company's auditor with Lasse Holopainen, Authorised Public Accountant, as chief auditor.

### Auditor

Lasse Holopainen

b. 1960

Chief Auditor, KPMG Oy Ab, APA



# RESPONSIBILITY

1. RESPONSIBILITY EFFORTS AT ALKO	2. THE RESPONSIBLE SALE OF ALCOHOL AND CUSTOMER SERVICE	3. WORLD-CLASS CUSTOMER SERVICE
4. AN INSPIRING AND MOTIVATING WORKPLACE	5. HUMAN AND LABOUR RIGHTS IN BEVERAGE PRODUCTION	6. CHOICES FOR THE ENVIRONMENT
7. TRANSPARENT AND EFFICIENT OPERATIONS	8. REPORTING PRINCIPLES	9. GRI CONTENT INDEX 2019



# RESPONSIBILITY EFFORTS AT ALKO

We implement responsible operating methods in all of our operations and are delighted that this has been apparent to our stakeholders: Alko's perceived responsibility is now even greater.

## RESPONSIBILITY MANAGEMENT

Responsibility plays an integral role in Alko's strategy. We set annual targets for both responsible operations and their development, and also measure our success in achieving them. We implement responsible operating methods in all of our operations.

Alko's mission – the most responsible way to sell alcohol in the world – obligates us to engage in the retail sale of alcoholic beverages in a manner that prevents the harmful effects caused by alcohol consumption. Our responsibility efforts are steered by the Alcohol Act and our company's strategy and ethical principles. In addition to requiring the responsible sale of alcohol, the Act also obligates Alko to treat all of its stakeholders in an equal, non-discriminatory and transparent manner. [In our strategy](#), responsibility is divided into seven areas through which we develop our activities.

We assess the responsibility and sustainability of our operating methods in all of our operations. The responsibility working group discusses any developmental measures related to responsibility and sustainability. The Sustainability Manager chairs the group. It is owned by the Executive Vice President, Communication, who makes progress and action reports to Alko's Management Team. The Board's Responsibility Committee prepares matters for presentation to the Board of Directors. The Board of Directors regularly discusses responsibility issues. The Supervisory Board approves the responsibility plan for the following year and annually reviews the responsibility measures that have been implemented. The Annual General Meeting decides on the recipients and maximum sum of Alko's annual donations, and also reviews a summary of responsibility measures and their success. [Read more](#) about Alko's collaboration projects and donations.

The leader of each business unit and support function is in charge of operative management in responsibility issues as well. Alko's strategic responsibility targets are part of every team's and every employee's personal targets.

Responsibility is also part of our identity as Alko employees. By further developing our culture of responsibility, we give special meaning and content to our work at Alko.

As part of our responsibility efforts in 2019, we introduced thematic weeks that are visible in a variety of communication channels. These thematic weeks seek to increase awareness of Alko's responsibility efforts among stakeholders – and in particular among customers. We want to better meet the expectations placed on our operations and be able to positively surprise people with our responsibility efforts. We implemented eight different themes in 2019: Calories in Alcohol, Don't let a drop become an ocean, Green Choice, Văivesi, FADS (Fetal Alcohol Spectrum Disorders), Prioritising ethics and intensive supervision weeks in May and August.

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

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**Alko's responsible operating method is assessed throughout the company's operations in the light of the targets and indicators set for it.**

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RESPONSIBILITY EFFORTS – 2019 HIGHLIGHTS

Välivesi – drinking water is important but easy to forget

Välivesi bottled water went on sale at the beginning of June. With Välivesi, Alko wants to remind Finns of the importance of drinking water – also when drinking alcohol.

[Read more](#)



Don't let a drop become an ocean – talking about alcohol

This theme sought to spark off debate about the habits and situations associated with drinking alcohol.

[Read more](#)



Recognition for Alko's age-limit checks

In December, the Greater Helsinki area's anti-substance abuse programme (Pakka) recognised the responsible sales work carried out by Alko stores in the Helsinki region. Alko conducts about 4.5 million age-limit checks every year.



The Concern Card provides contact information for professional assistance with substance abuse

In October, Alko introduced the Concern Card for situations in which a customer expresses concerns about alcohol use, whether their own or that of a family member or loved one. The card contains contact details for organisations that the person can turn to for help.

[Read more](#)

A joint Nordic seminar on ethical issues in the sugarcane supply chain

In September, Alko and the other Nordic alcohol monopolies organised a joint seminar that focused on ethical issues in the sugarcane supply chain, which forms part of the rum supply chain.

[Read more](#)

Alko opened its doors at 9:09 am on 9 September – FASD Day – as a reminder that there is no safe limit to alcohol consumption during pregnancy.

On international FASD Day (9 September), Alko opened its stores at 9:09 am, nine minutes later than usual, as a reminder to stay teetotal during pregnancy.

[Read more](#)



#todistaikäsi (#proveyourage) age-limit check weeks

Alko's age-limit check weeks encouraged young customers to take the initiative and show their IDs.

[Read more](#)

Green choices for beverage shopping

We help our customers to make sustainable choices. The lighter the packaging, the smaller its climate impact.

[Read more](#)





RESPONSIBILITY EFFORTS – OBJECTIVES AND MEASURES

Objectives	Measures 2019	Measures 2020
Championing wellbeing, fighting social exclusion	<ul style="list-style-type: none"><li>• We cooperated with the Finnish Olympic Committee to promote wellbeing and healthy lifestyles. We took part in two campaigns – Give a Young Person Wings and Club Heart – and presented the Sports Club of the Year 2018 award to the Helsingin uimarit swimming club.</li><li>• We ran the Not Just One Drink campaign in Alko stores on 18–31 March 2019. This theme sought to spark off debate about the habits and situations associated with drinking alcohol.</li><li>• Together with the Finnish Association on Intellectual and Developmental Disabilities, we took part in the Anti-substance Abuse Days on 8–9 May 2019 with the theme FASD (Fetal Alcohol Spectrum Disease).</li><li>• In June, we launched our own brand of bottled water – Välivesi – to remind people of the importance of drinking water. Välivesi was also visible at a number of events during the year, including the Helsinki Pride parade and park festival, Tampere’s Blockfest, and the I Love Me exhibition.</li><li>• In autumn 2019, we introduced the Concern Card at our staff’s request. This card supports staff in situations in which a customer expresses concerns about alcohol use, whether their own or that of a family member or loved one. The card provides contact details for professional assistance with substance abuse.</li><li>• In October, we published the results of a study called “Finnish alcohol policy at the crossroads”, which was conducted by Canadian professor Tim Stockwell’s independent international research team. The results shed light on the differences between various alcohol policies in Finland. Alko funded the study.</li><li>• We funded ten MiniFragile shows at schools (920 audience members) and two shows for stakeholders (60 audience members) as part of the In the Company of Children programme.</li><li>• We gave 14 volunteers from our staff the opportunity to train as Mahis youth leaders, with the aim of running Fragile drama workshops in the future.</li><li>• We also created the game Harold in collaboration with the Life Education Foundation and other partners. This game is aimed at children and young people and seeks to help children in grades 4–6 make smart choices in life.</li><li>• We participated in the Knowledge-based anti-substance abuse management model in Central Finland project. This project seeks to create a knowledge-based model for anti-substance abuse that can be successfully used on a nationwide scale. It will run until the end of 2021.</li><li>• Using the Parempi Vire app, our personnel collected points for deeds that promoted wellbeing. The team that scored the most points in each of the six areas was able to name a charity that then received a donation of EUR 1,000 from Alko.</li><li>• Some Alko stores took part in the Joulupuu charity campaign that collected money to buy gifts for children and young people in care.</li><li>• Alko supported Hursti’s Christmas party for people of limited means.</li></ul>	<ul style="list-style-type: none"><li>• We are cooperating with the Finnish Olympic Committee to promote wellbeing and exercise. We presented the Sports Club of the Year Award 2019 to the orienteering club Lahden Suunnistajat-37.</li><li>• We are supporting the Finnish Foundation for Alcohol Studies and the Finnish Institute of Occupational Health’s study on remote working and the harmful effects of alcohol.</li><li>• We will be supporting young people’s wellbeing with performances of MiniFragile all around Finland.</li><li>• We are supporting training for Mahis leaders to both broaden their competence and enable them to run Fragile workshops.</li><li>• We engage in trade union cooperation to support anti-substance abuse work with older people living at home.</li><li>• Our anti-substance abuse project in the Jyväskylä area will continue. We are providing support for local anti-substance abuse projects.</li><li>• We have released and are now distributing the game Harold in cooperation with the Life Education Foundation.</li><li>• We will be a Helsinki Pride partner with our Välivesi theme.</li><li>• Our in-store themes for the year will be Don’t let a drop become an ocean and A Merry Christmas For Everyone.</li></ul>



Objectives	Measures 2019	Measures 2020
Uncompromisingly responsible customer service	<ul style="list-style-type: none"> <li>• We were uncompromising when it came to sales supervision. Our mystery shopping score of 96 per cent exceeded our target.</li> <li>• We organised intensive supervision weeks in May and August as part of the #todistaikäsi (#proveyourage) theme.</li> <li>• We opened our stores at 9:09 am on International FASD Day. In response to our challenge, R-kioski stores around Finland started selling alcohol at the same time.</li> <li>• In December, Alko stores in the capital city region received recognition for their responsible sale of alcohol as part of the City's anti-substance abuse activities (Pakka).</li> <li>• In order to develop our sales staff's competence, we produced training material on providing respectful service to customers who require special assistance.</li> </ul>	<ul style="list-style-type: none"> <li>• Uncompromising sales supervision: our goal is an excellent result of 97 per cent in mystery shopping.</li> <li>• Our intensive supervision weeks will continue in May and August as part of the #todistaikäsi (#proveyourage) theme.</li> <li>• We will participate in International FASD Day by opening Alko stores nine minutes later than usual on 9 September. We will also challenge other organisations to start selling alcohol nine minutes later than usual.</li> <li>• We are developing digital services to support moderate alcohol consumption.</li> <li>• We are developing an Accessible Alko infopack as part of our Alko.fi store guide.</li> </ul>
Fair to everyone	<ul style="list-style-type: none"> <li>• We took part in the Responsible Summer Job campaign.</li> <li>• Alko's responsibility themes were an important aspect of the strategy game played by all our staff.</li> <li>• We updated Alko's ethical principles.</li> <li>• We organised Roundtable events in Jyväskylä, Turku, Oulu and Vantaa to discuss the harmful effects of alcohol with local actors.</li> <li>• We proactively worked with suppliers to promote responsible procurement.</li> </ul>	<ul style="list-style-type: none"> <li>• Developing cooperation between workplace communities.</li> <li>• Proactive measures to promote diversity.</li> <li>• All Alko personnel will complete training on our updated ethical principles.</li> </ul>
Making the invisible visible	<ul style="list-style-type: none"> <li>• On 4 September 2019, Alko and the other Nordic alcohol monopolies organised a joint seminar in Helsinki that focused on ethical issues in the sugarcane supply chain.</li> <li>• In order to improve transparency and traceability in supply chains, we launched a project that aims to provide customers with information to support responsible purchasing decisions.</li> <li>• As an indication of our commitment to respecting human rights, we signed the CEO Guide to Human Rights issued by the World Business Council for Sustainable Development (WBCSD).</li> <li>• We piloted our Sustainability Visits in Southern Spain. This model provides a way of monitoring the practical implementation of our ethical principles.</li> <li>• We engaged in collaboration negotiations with the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF). This agreement seeks to strengthen open dialogue between Alko and local employee associations. This cooperation will begin in 2020.</li> </ul>	<ul style="list-style-type: none"> <li>• We will continue our project to improve the transparency and traceability of procurement information.</li> <li>• We will be implementing a project to create a steering and monitoring system for indirect procurements.</li> </ul>



Objectives	Measures 2019	Measures 2020
Top-quality alternatives for customers	<ul style="list-style-type: none"> <li>• We further developed our responsible beverage selection: <ul style="list-style-type: none"> <li>• We introduced new, non-alcoholic Alko-brand beverages: Vällivesi (bottled water), Nokkostonic (nettle tonic) and Pihlajanmarjaglögi (rowan berry mulled wine).</li> <li>• We expanded our range of low-alcohol beverages, small bottle sizes, ethical products and Green Choice products.</li> </ul> </li> <li>• Calories in Alcohol – our responsibility theme focusing on the calories contained in alcohol – was visible in stores.</li> </ul>	<ul style="list-style-type: none"> <li>• We will be further developing our range of responsible beverages by, for example, introducing new non-alcoholic alternatives.</li> <li>• Our in-store responsibility themes will focus on the calories contained in alcohol and the authenticity, quality and safety of our products.</li> </ul>
Promoting a thriving food and drink culture	<ul style="list-style-type: none"> <li>• We launched our new food &amp; drink concept: the world in your glass and on your plate. We displayed three different food &amp; drink themes in our stores: Asia, the USA, and A Taste of the North.</li> <li>• We cooperated on the Hotel and Restaurant Museum’s Eat and Drink Finland project.</li> <li>• We organised free Tasty Content training for journalists and bloggers.</li> </ul>	<ul style="list-style-type: none"> <li>• We will continue with our ‘the world in your glass and on your plate’ theme.</li> </ul>
Choices for the environment	<ul style="list-style-type: none"> <li>• We expanded our Green Choice concept to cover environmentally certified packaging. We set a lightweight glass bottle weight limit for sparkling wine bottles.</li> <li>• We expanded our recycling area for wine bags to cover 205 stores.</li> <li>• Together with our transport partners, we analysed the impact of emissions generated by deliveries and store distribution in Finland.</li> <li>• We compensated for our CO<sub>2</sub> emissions from air travel in 2018.</li> <li>• Our stores started using digital consignment notes.</li> <li>• We conducted a carbon footprint analysis of aluminium beverage packaging as part of our Nordic environmental cooperation.</li> <li>• We renewed our ISO 14001:2015 environmental certification.</li> <li>• Profits from the sale of Vällivesi were used to support the Keep the Archipelago Tidy association.</li> <li>• Our in-store responsibility themes were Green Choice and Unbreakable = Unlittered (beverage packaging recycling).</li> </ul>	<ul style="list-style-type: none"> <li>• We will be expanding our Green Choice environmental information to cover carbon-neutral products, as well as spirits and brewery products that come in glass bottles. Our goal is for 40 per cent of the products in Alko’s selection to carry at least some Green Choice environmental information.</li> <li>• We will expand our recycling area for wine bags to Northern Finland.</li> <li>• By the end of the year, we intend to <ul style="list-style-type: none"> <li>• replace single-use, fossil-based plastic products (including plastic bags manufactured from virgin plastic) with other more sustainable accessories</li> <li>• reduce the amount of packaging waste (cardboard and clear pallet plastic) by 10 per cent</li> <li>• reduce electricity consumption in stores and at head office (kWh/m<sup>2</sup>) by 10 per cent</li> <li>• purchase green electricity certificates to achieve a 50 per cent reduction in the carbon dioxide emissions caused by electricity consumption</li> </ul> </li> <li>• We are participating in the Nordic alcohol monopolies’ joint study on water and human rights, and will be arranging a joint seminar for suppliers in Stockholm.</li> <li>• We are reducing emissions from domestic transport and store distribution, and are seeking to utilise any products that need to be disposed of in energy production.</li> <li>• We are reducing paper consumption with the aid of digital archiving.</li> <li>• We will compensate for our CO<sub>2</sub> emissions from air travel in 2019.</li> <li>• Conscious consumption is one of the main responsibility themes visible in our stores.</li> </ul>



Changes in our operating environment challenge us to actively develop our operations. Each year, we assign indicators to measure the success of our responsibility efforts at different levels of our organisation.



### RESPONSIBILITY INDICATORS

Changes in our operating environment challenge us to actively develop our operations. Each year, we assign indicators to measure the success of our responsibility efforts at different levels of our organisation. We have two company-level indicators: Alko's score for perceived responsibility in T-Media's Confidence & Reputation survey and our success in responsible sales work. The Confidence & Reputation survey measures factors affecting stakeholder support, including perceptions of companies' responsibility. Alko scored 3.44 in 2019 (target score 3.37) (2018: 3.28; 2017: 3.31; 2016: 3.42).

Responsibility is assessed on the basis of whether Alko operates correctly and responsibly while paying due attention to society and the environment, and also how we benefit society through our business. The factors that have the most influence on Alko's perceived responsibility are: themes related to Alko's mission, efforts to

operate responsibly in a transparent supply chain, Alko's employer image, and acting as a conscientious and law-abiding corporate citizen. Developing these areas has been made a priority in the company's strategy. Another responsibility indicator monitors our success in responsible sales work.

### RESEARCH DATA ON THE IMPACT OF ALCOHOL POLICY

Alko funded the [study](#) "Finnish alcohol policy at the crossroads", which was published in autumn 2019. Canadian professor Tim Stockwell from the University of Victoria led the independent international research team. The study sought to identify ways to regulate alcohol consumption and the harmful effects it causes. It aimed to provide unbiased and factual information about the impact of alcohol policy on society. According to the results, allowing the sale of all alcoholic beverages at all retail outlets would lead to a rise in consumption and thereby also its harmful effects. The research team highlighted various ways in which Finland could reduce the harmful effects caused by alcohol consumption. These include retaining the retail monopoly and sharing information about alcohol and its use to both decision-makers and the general public.



At the roundtable events, we worked with local organisations and public-sector actors to find good local models to prevent social exclusion among young people.

STAKEHOLDERS AND MATERIALITY

We want to serve Finland's welfare society to the best of our ability. We engage in open dialogue with a variety of stakeholders, and involve them in finding the best ways to have a positive impact on wellbeing in Finland.

Stakeholders' expectations are continually monitored through our management system, and also when drawing up our strategy and action plans. We engage in continual dialogue with our stakeholders, and aim to take any changes in their expectations into practical consideration. We actively monitor any changes occurring in our operating environment. Stakeholders' expectations steer the development of both our business and our responsibility efforts.

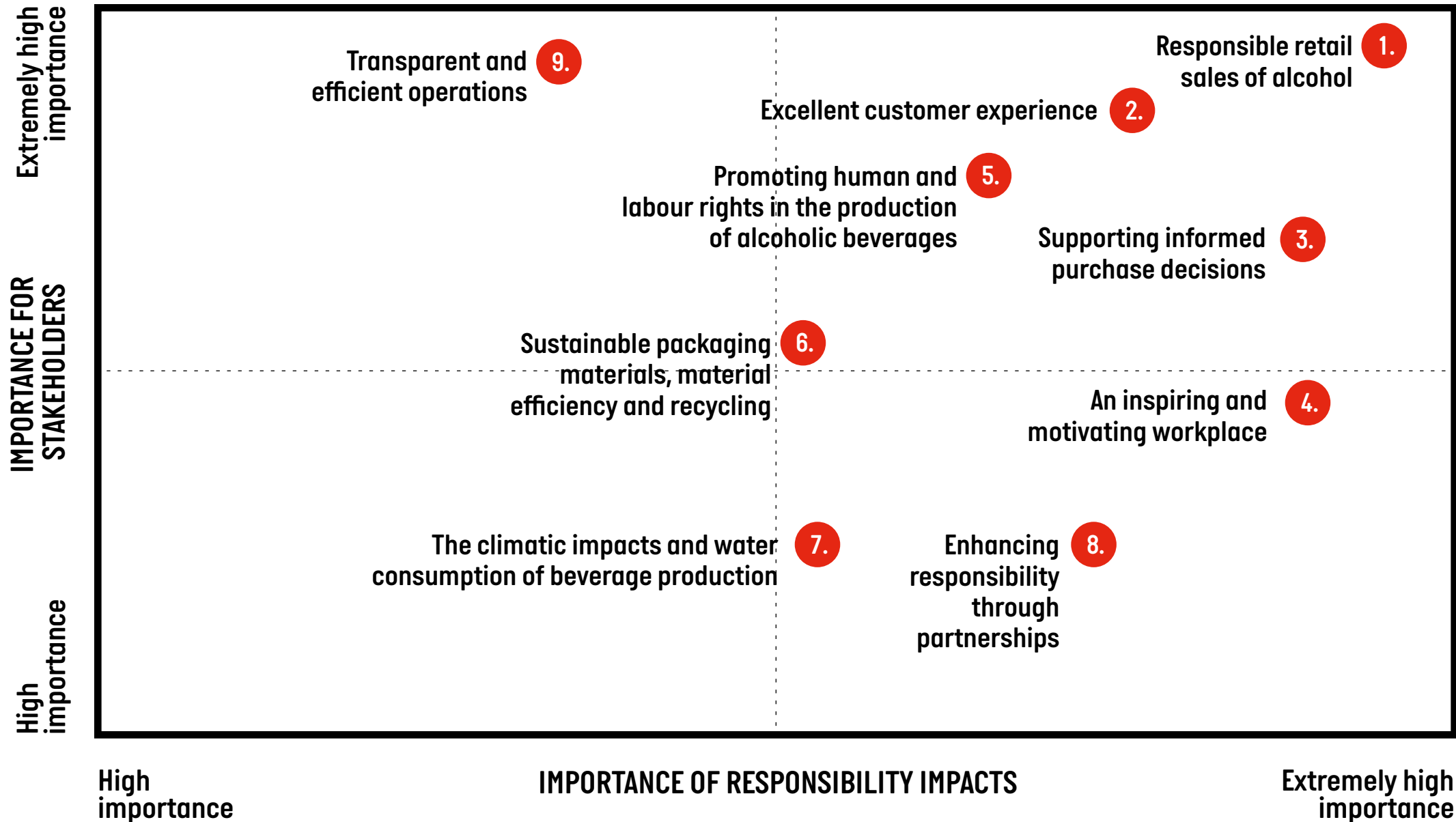
Alko works with a large stakeholder network to prevent the harmful effects of alcohol consumption. We implement cooperation projects with organisations such as the National Institute for Health and Welfare (THL), A-Clinic Foundation, Finnish Association for Substance Abuse Prevention (EHYT), Mannerheim League for Child Welfare (MLL), and Finnish Parents' League (SVL).

For example, in 2019 we gathered a variety of organisations around the table to talk about young people's wellbeing. We organised four local roundtable discussions in Jyväskylä, Turku, Oulu and Vantaa. At these events, we worked with local organisations and public-sector actors to find good local models to prevent social exclusion among young people.

In addition to organisations, Alko also engages in dialogue with customers, personnel, suppliers, political decision-makers and the media. The topics range from the company's business-related activities to alcohol statistics and research. Our stakeholder communications are open, transparent and unbiased, and are based on facts. In the Corporate Communications 2019 study conducted by Taloustutkimus in the spring, the media gave Alko the best overall rating for media cooperation in the retail trade. Particular praise was given to the reliability and comprehensibility of our communications. We use both Finnish and international research data in our communications.

The material themes of Alko's responsibility efforts are described in the materiality matrix to the right. These materialities were defined on the basis of a stakeholder analysis conducted in 2018.

MATERIALITY MATRIX





STAKEHOLDER TABLE

Stakeholder	Listening to and involving stakeholders	Key responsibility themes for stakeholders	Key themes to consider in our operational development
Customers	<ul style="list-style-type: none"><li>Listening to customers in stores and other channels</li><li>Events and surveys for our panel of Advisors</li><li>Customer satisfaction surveys</li><li>National Customer Service Feedback survey (Taloustutkimus Oy)</li><li>The sections of the Opinions on Alcohol Policy survey covering success in responsibility and customer service (THL)</li></ul>	<ul style="list-style-type: none"><li>Nationwide multichannel network</li><li>High-quality and responsible product options, including Green Choice and ethical products</li><li>Developing food and drink culture and providing product options that meet the wellbeing trend, such as non-alcoholic and low-alcohol beverages</li><li>The responsible retail sale of alcohol</li><li>The effects that alcohol use has on wellbeing (such as sleep)</li></ul>	<ul style="list-style-type: none"><li>Personal and responsible customer service in all channels</li><li>Responsibility highly visible in stores and other channels</li><li><b>Measures:</b><ul style="list-style-type: none"><li>Customers can make more responsible choices, such as smaller packages, low-alcohol products, eco-labelled products</li><li>Our sales supervision campaign #todistaikäsi (#proveyourage)</li><li>Communications about alcohol-related impacts, such as FASD and A Child’s Burden.</li><li>Improving accessibility in customer service</li></ul></li></ul>
Owner, political decision-makers and supervisory authorities (National Supervisory Authority for Welfare and Health Valvira and Regional State Administrative Agencies)	<ul style="list-style-type: none"><li>Annual General Meeting</li><li>Supervisory Board meetings</li><li>Meetings with stakeholders in accordance with the company’s principles</li><li>Confidence and Reputation survey (T-Media Oy)</li><li>Continual dialogue with the authorities</li></ul>	<ul style="list-style-type: none"><li>Alko undertakes the responsible sale of alcohol in accordance with its mandate and in a manner that gains the general public’s support for its monopoly status</li><li>Alko is a pioneer in areas such as supply chain responsibility</li></ul>	<ul style="list-style-type: none"><li>According to the Government Resolution on State Ownership Policy of 13 May 2016, Alko must report the achievement of significant social responsibility objectives to the Annual General Meeting.</li><li>The Supervisory Board approves the action plan to prevent the harmful effects of alcohol consumption, and gives a statement on Alko’s retail sales and the measures that the company has employed to prevent the harmful effects of alcohol consumption.</li><li>Alko openly and transparently communicates responsibility measures that are of interest to its stakeholders.</li></ul>
Associations and networks	<ul style="list-style-type: none"><li>Open and proactive stakeholder dialogue:<ul style="list-style-type: none"><li>amfori BSCI’s national and international activities</li><li>Stronger Together collaboration</li><li>Civic organisations</li><li>Employee organisations</li><li>Nordic and North American alcohol monopolies</li><li>Associations in the health and social welfare sector</li><li>Finnish Foundation for Alcohol Studies</li><li>Roundtable discussions</li></ul></li></ul>	<ul style="list-style-type: none"><li>Climate crisis impacts</li><li>Human rights and working conditions in the supply chain</li><li>Cooperation and communications relating to the harmful effects of alcohol consumption</li></ul>	<ul style="list-style-type: none"><li>We are reducing the impact of the climate crisis and promoting human rights and working conditions in the supply chain in collaboration with the other Nordic alcohol monopolies and employee organisations</li><li><b>Measures:</b><ul style="list-style-type: none"><li>Competence development and supervision in beverage production facilities and primary production</li><li>Profits from the sale of Välivesi are used to support the Keep the Archipelago Tidy Association</li><li>We cooperate with organisations in the heath and social welfare sector on a number of programmes aimed at reducing the harmful effects of alcohol consumption</li><li>We support alcohol research</li></ul></li></ul>



Stakeholder	Listening to and involving stakeholders	Key responsibility themes for stakeholders	Key themes to consider in our operational development
Personnel	<ul style="list-style-type: none"> <li>• Pulse personnel survey</li> <li>• Feedback and lessons learned from training and strategy games</li> <li>• Team meetings in stores</li> <li>• Target and competence discussions</li> <li>• Continual inclusion, for example, with the aid of internal communication channels</li> <li>• Meetings with management</li> <li>• HR indicators and reports</li> <li>• Involvement in projects and development work</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities for staff to participate in Alko's development as a whole</li> <li>• Responsible customer service and product expertise as part of sales work</li> <li>• Personnel wellbeing, trends in sickness absences, and working capacity management</li> <li>• Personnel turnover, availability of new personnel, and safeguarding competence</li> </ul>	<ul style="list-style-type: none"> <li>• We want to be the most attractive employer in the service sector.</li> <li>• We want to offer meaningful work and inspiring working conditions that enable success.</li> <li>• We want our employees to be genuinely proud of working at Alko.</li> <li>• <b>Measures:</b> <ul style="list-style-type: none"> <li>• Development of HR and our corporate culture considers the various themes of responsibility in a diverse manner. Our responsibility targets constitute key targets for all Alko employees.</li> <li>• At Alko, responsible leadership is a key leadership skill.</li> <li>• Services to support working capacity and competence development in working capacity management</li> <li>• Competence requirements for sales staff contain different perspectives on responsibility and Alko's responsibility targets</li> <li>• Passing the test to obtain a sales supervision passport and other online training that highlights Alko's responsible role and mission</li> <li>• We are involved in the Responsible Summer Job campaign.</li> </ul> </li> </ul>
Goods suppliers and service providers	<ul style="list-style-type: none"> <li>• Supplier meetings, partner events and collaboration</li> <li>• Audits and training</li> <li>• Supplier survey</li> <li>• Best Supplier indicator</li> <li>• Alko representatives visit producers</li> <li>• Cooperation with the Association of Alcoholic Beverage Suppliers in Finland (SAJK)</li> </ul>	<ul style="list-style-type: none"> <li>• The growing importance of sustainability in the purchase of alcoholic beverages and, in particular, the important role played by organic and fair trade products in consumer choices</li> <li>• A change in consumer behaviour: non-alcoholic and low-alcohol beverages, responsible choices and smaller bottle sizes</li> <li>• A rum seminar led to discussion of the ethical challenges being faced in sugarcane production Water consumption in production and agriculture is still a hot topic, and carbon-neutrality in production and products has become a new subject for debate</li> <li>• Cooperation with goods suppliers to ensure responsible procurement with regard to issues involving environmental and social responsibility</li> <li>• Product quality assurance</li> </ul>	<ul style="list-style-type: none"> <li>• Open and diverse cooperation</li> <li>• The entire supply chain must comply with the operating model for responsible procurement</li> <li>• Product quality assurance through sensory evaluation and chemical testing</li> </ul>
Lessors	<ul style="list-style-type: none"> <li>• Annual meetings</li> <li>• Reviews of investment plans and schedules</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental perspectives, such as resource efficiency</li> <li>• Equal treatment of partners</li> </ul>	<ul style="list-style-type: none"> <li>• The rental agreement model, including perspectives and operating methods relating to indoor air, energy efficiency, etc.</li> <li>• Open supply model for premises</li> <li>• Making more efficient use of space in stores using a customer- and selection-oriented approach</li> <li>• Our new store concept pays attention to energy savings, the recycling of fittings and fixtures, and the use of existing structures, surfaces, equipment, devices, fixtures and fittings whenever they are in good condition and it is otherwise possible.</li> </ul>
The media	<ul style="list-style-type: none"> <li>• Media conferences</li> <li>• Supplier tastings</li> <li>• Media briefings</li> </ul>	<ul style="list-style-type: none"> <li>• Open and transparent communications about Alko's activities</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive and transparent communications about Alko's activities</li> <li>• Sales reports</li> <li>• Annual Report</li> </ul>



**ALKO’S ASSOCIATION MEMBERSHIPS**

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

**International organisations**

amfori Network Finland Chair: Marja Aho, Sustainability Manager

**Other associations, organisations and communities**

Palta Board Member: Leena Laitinen, President & CEO  
Service Sector Employers Palta, Labour Market Committee Board Member: Heli Hassinen-Biberger  
Suomen Palautuspakkaus Oy Board Member: Paula Kujansivu, Vice President, Online and Supply Chain  
Suomen Keräyslasiyhdistys ry Board Member: Maritta Iso-Aho, Executive Vice President, Communications  
Finnish Foundation for Alcohol Studies Board Member: Jonna Björklund, Legal Counsel  
Hotel and Restaurant Museum Foundation Advisory Board Members: Marja Aho, Sustainability Manager and Sari Karjalainen, Marketing Manager  
Confederation of Finnish Industries (EK), Economy and Tax Committee Member: Anton Westermarck, Executive Vice President, Finance







**Anna-Mari Kivimäki**  
*Shop Service Expert*

Anna-Mari inspires and motivates her store team to provide world-class customer service that is both responsible and personalised.

## THE RESPONSIBLE SALE OF ALCOHOL

Alcohol is not an ordinary commodity, which is why particular attention must be paid to its sale. We carry out our responsible mission by ensuring that we both buy and sell products responsibly.

### Why is this important to us?

Total alcohol consumption and its harmful effects go hand in hand: the more that is drunk, the greater its harmful effects on health and society. The downward trend in alcohol consumption that began in 2007 ended after a slight upswing in consumption was seen in 2018. Total alcohol consumption took a slight downturn in 2019\*\*. According to a recent [study\\*](#), alcohol currently causes about EUR 1.6 billion in direct costs in Finland. These costs are incurred by security and policing, social welfare, specialised hospital treatment and primary healthcare. Alcohol also causes indirect costs, such as lost production or productivity, and an immeasurable amount of human suffering for both people with substance abuse problems and their loved ones.

\* Source: Finnish alcohol policy at the crossroads

\*\* Preliminary data. The National Institute for Health and Welfare will publish the final data on consumption in spring 2019.

Research indicates that the most effective methods of reducing the harmful impacts of alcohol include:

- increasing alcohol taxation
- restricting alcohol advertising
- restricting the number of retail outlets that can sell alcohol



**The Don't let a drop become an ocean theme encourages people to discuss how moderate they believe their alcohol consumption to be and its impact on both their own health and the wellbeing of their loved ones.**

- 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

**THE RESPONSIBLE SALE OF ALCOHOL IS ALKO'S MISSION**

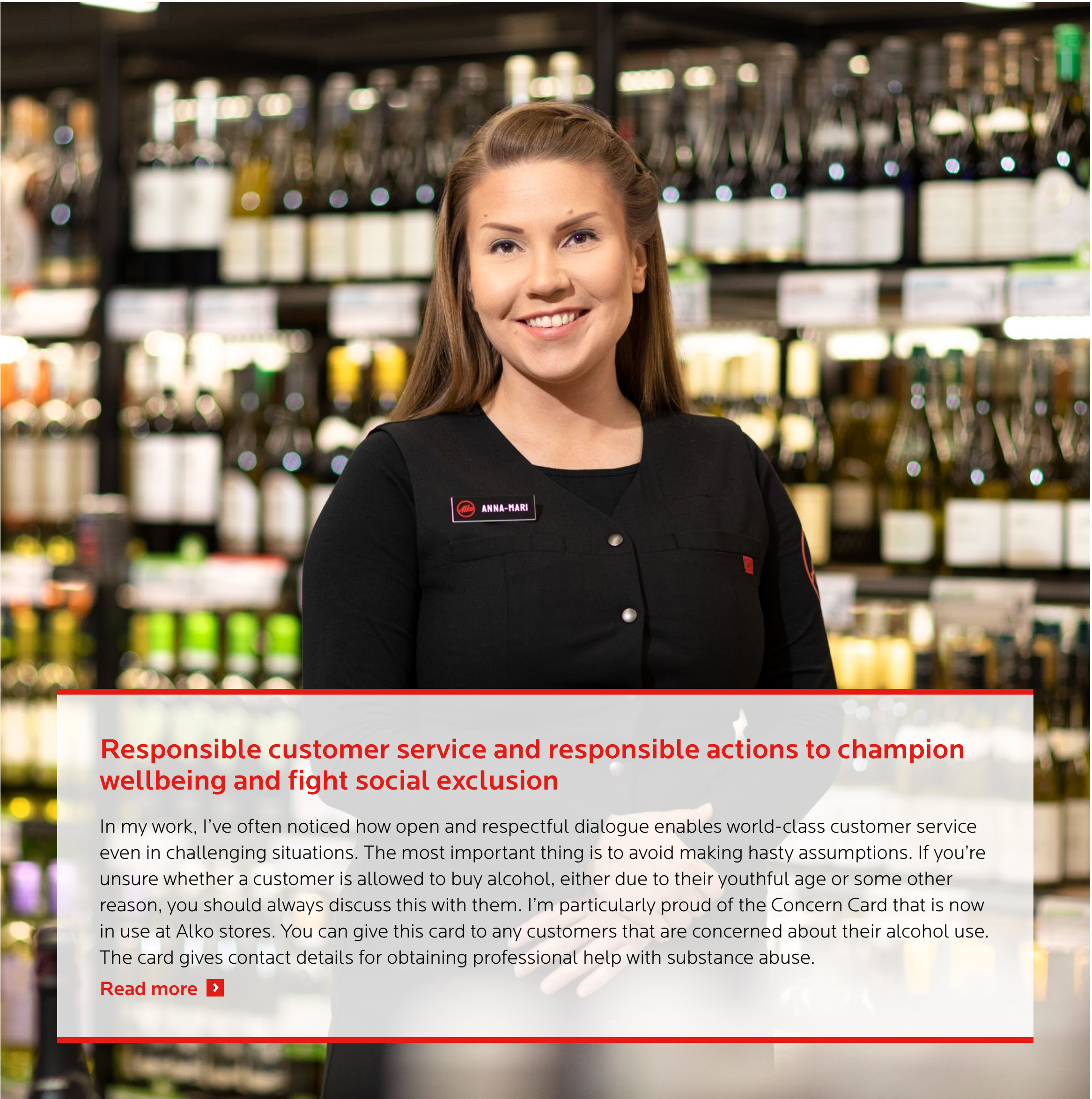
Alcohol is not an ordinary commodity, which is why particular attention must be paid to its sale. We carry out our responsible mission by ensuring that we both buy and sell products responsibly. We also run campaigns to promote responsible alcohol use and cooperate with a variety of partners to reduce the harmful effects of alcohol consumption.

Substantial and long-term alcohol consumption often causes both health and social challenges that cast a shadow over the lives of family and loved ones, particularly children and young people. These projects to prevent and reduce the harmful effects of alcohol consumption vary in nature, but they all share the same goal – to promote wellbeing in society.

**What have we done?**

Our measures to prevent the harmful effects of alcohol are based on Alko's revised strategy and the 2019 responsibility **action plan** drawn up on the basis of this strategy. Our most significant responsibility measures in 2019 were the launch of Vällivesi bottled water, the Don't let a drop become an ocean campaign and the introduction of the Concern Card in stores.

- Alko launched its **Vällivesi bottled water** in June 2019. Vällivesi is intended to remind Finns of the importance of drinking water, especially when consuming alcoholic beverages. Profits from the sale of Vällivesi will be used to support the Keep the Archipelago Tidy Association, which is working to keep Finland's waters clear of litter. The product has been well received by customers and has also received a lot of attention in the media.
- In early autumn 2019, we introduced the **Concern Card** – a tool for Alko store staff in situations in which a customer expresses concerns about alcohol use, whether their own or that of a family member/loved one. The card includes con-



**Responsible customer service and responsible actions to champion wellbeing and fight social exclusion**

In my work, I've often noticed how open and respectful dialogue enables world-class customer service even in challenging situations. The most important thing is to avoid making hasty assumptions. If you're unsure whether a customer is allowed to buy alcohol, either due to their youthful age or some other reason, you should always discuss this with them. I'm particularly proud of the Concern Card that is now in use at Alko stores. You can give this card to any customers that are concerned about their alcohol use. The card gives contact details for obtaining professional help with substance abuse.

**Read more** ▶





tact information for parties to whom the person can turn to for assistance.

- The [Don't let a drop become an ocean](#) theme supports Alko's mission and sparks discussion about whether one's own alcohol use is moderate and its impact on personal health and the wellbeing of loved ones. This theme was highly visible in Alko's in-store communications and on sales staff's uniforms in early 2019. The campaign will continue in 2020.

### A TOP SCORE IN AGE-LIMIT CHECKS

A significant part of our daily responsibility efforts involves checking age limits, intoxication and [suspected handovers](#). We monitor our success in checking the age of young customers not only through our own cash register statistics but also with [mystery shopping tests](#) run by an external partner. In 2019, we achieved our best ever mystery shopping score: 96.3 per cent. Alko's age-limit checks also received recognition after test shopping carried out by the City of Helsinki's anti-substance abuse programme (Pakka). All six of the Alko stores tested handled age-limit checks in an exemplary manner.

### COOPERATION TO INCREASE WELLBEING

Alko cooperates with associations, organisations and other partners to increase wellbeing and prevent the harmful effects of alcohol. These partnerships support Alko's mission and strategic targets.

The measures are based on the objectives of our 2019 responsibility [action plan](#).

#### In the Company of Children seeks to make adults consider their own alcohol consumption in the company of children.

- Alko has already been partnering with the Finnish Association on Intellectual and Developmental Disabilities since 2015, by opening Alko stores at 9:09 on 9 September to raise awareness about [FASD](#). In 2019, we also challenged Finland's largest grocery stores to start their sale of alcohol at 9:09 as well. R-kioski accepted our challenge.
- We participated in the national Anti-substance Abuse Days with the Finnish Association on Intellectual and Developmental Disabilities. Our aim was to raise awareness about Fetal Alcohol Spectrum Disorders (FASD), which are caused by a mother's alcohol consumption during pregnancy.
- With Alko's support, the Life Education Foundation implemented a new game, Harold, that helps and teaches children in grades 4–6 how to refuse intoxicants. The game also helps adults understand what their alcohol use looks like through their children's eyes. The game was completed in January 2020.
- We developed a new infopack for parents on alcohol-related topics in collaboration with the A-Clinic Foundation, Mannerheim League for Child Welfare, Finnish Parents' League and Finnish Olympic Committee. This project will continue in 2020, when the new materials will be added to the alko.fi website.
- Influencer Mariela Sarkima blogged and vlogged about reducing alcohol consumption in the Bad Mother community. Alko supported the making of the blog and video, which both awakened a lot of interest.

#### Promoting young people's wellbeing

- Alko is one of the main partners of the Olympic Committee's Give a Young Person Wings campaign. The project supports youth hobbies, healthy lifestyles and holistic life management. For many years, Alko has been providing support through the Finnish Olympic Committee for sports clubs whose activities seek



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**Alko cooperates with associations, organisations and other partners to prevent and reduce the harmful effects of alcohol.**

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to promote active and healthy lifestyles and the prevention of alcohol and intoxicant use among young people. At the Finnish Sports Gala, we presented the Uuno trophy and grant to the Sports Club of the Year: Lahden Suunnistajat-37. We also took part in the Finnish Olympic Committee's #seurasydän (#club-heart) campaign by highlighting Alko personnel's #seurasydän stories.

- Fragile play once again toured schools in many municipalities, reaching almost 1,000 secondary school pupils and about 100 adults. Two Fragile workshop training sessions were held for the Youth Academy's Mahis leaders. The first team of Alko staff volunteers trained as Mahis and Fragile workshop leaders.
- Alko is involved in the Knowledge-based anti-substance abuse management model in Central Finland 2019–5/2021 project. This project seeks to create a knowledge-based model for anti-substance abuse that can be successfully used within the province. As a result of the project, Alko has the opportunity to participate in local projects relating to young people's wellbeing.

### **Clearly Good Work**

- With Alko's support, the A-Clinic Foundation continued to develop and market its tool Let's Talk about Intoxicants in the Workplace.
- In March 2019, we organised an event for HR professionals called Don't let a drop become an ocean: Advice for Daily Encounters. The event sought answers to questions surrounding alcohol and working life.

### **Support for 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 research results and articles on topics related to substance abuse. The Finnish Foundation for Alcohol Studies was established in 1950 to promote and support scientific research on alcohol consumption in general, or alcohol as a personal or social problem. Six doctoral theses that received funding from the Finnish Foundation for Alcohol Studies were published in 2019 (2018: four). Twenty-seven (thirty) new peer-reviewed articles were published in international publication series. Nine other publications also came out (13). A total of EUR 265,722 (269,825) was distributed to alcohol and drug-related research.

- In 2019, the journal Yhteiskuntapolitiikka published a total of three (four) peer-reviewed articles on alcohol-related topics, three analyses and one opening. The themes covered by the journal included "The hopes of people undergoing rehabilitation for substance abuse", "Retirement and changes in alcohol consumption" and "How do alcohol monopolies affect the population's alcohol consumption?"
- We also supported the Opinions on Alcohol Policy survey and the European School Survey Project on Alcohol and other Drugs (ESPAD).
- Alko decided to sponsor Aalto University's Life Science Technologies students with a one-off sum in spring 2018. The donation will be distributed over the next three years as an annual grant to five students whose theses relate to promoting health and wellbeing. The initiative for this donation came from a customer. The first grants were given to five thesis writers. Their themes dealt with promoting health and wellbeing.

### **Police Officer of the Year**

- The Police play a key role in maintaining order and safety, and in preventing crime. Though our cooperation in the Police Officer of the Year award, we want to show our appreciation for the important work done by the Police. Alko is one of the Police Officer of the Year award's longest-standing partners. Senior Constable Vesa Jauhiainen from the Southwest Finland Police Department was voted Police Officer of the Year 2019.

### **RESPONSIBLE SALES PRACTICES**

The responsible sale of alcohol is both Alko's mission and the basis for our customer service. Our customer service revolves around the idea that alcohol must not be sold or handed over to minors or anyone who is intoxicated. Alko's in-house supervision is based on the Alcohol Act and Decree, and the instructions issued by the National Supervisory Authority for Welfare and Health (Valvira).

We monitor successful sales supervision in two ways: via our own cash registers and using a mystery shopping survey conducted by an external organisation. Annual targets are set for shopping by test customers at both stores and pick-up points. The target for store visits in 2019 was 94 per cent, and the top target is 96 per cent. We aimed to make four test shopping visits to every store and one to every pick-up



point. The results are monitored by region, store and salesperson. Monitoring seeks to ensure reliable sales supervision of a uniformly high standard in all of our stores. The registered results are continually monitored, and are used to steer customer service and its development.

Alko's service network consists of stores and pick-up points. A pick-up point is a service company operating in the area that hands over alcoholic beverages ordered from our online shop on Alko's behalf. We examine the alcohol-related attitudes and capabilities of prospective pick-up point entrepreneurs when they make their applications. Providing new partners with induction in sales supervision plays a key role. Under the new Alcohol Act, every pick-up point must also draw up a self-supervision plan.

**Sales supervision forms part of the induction and training of Alko employees**

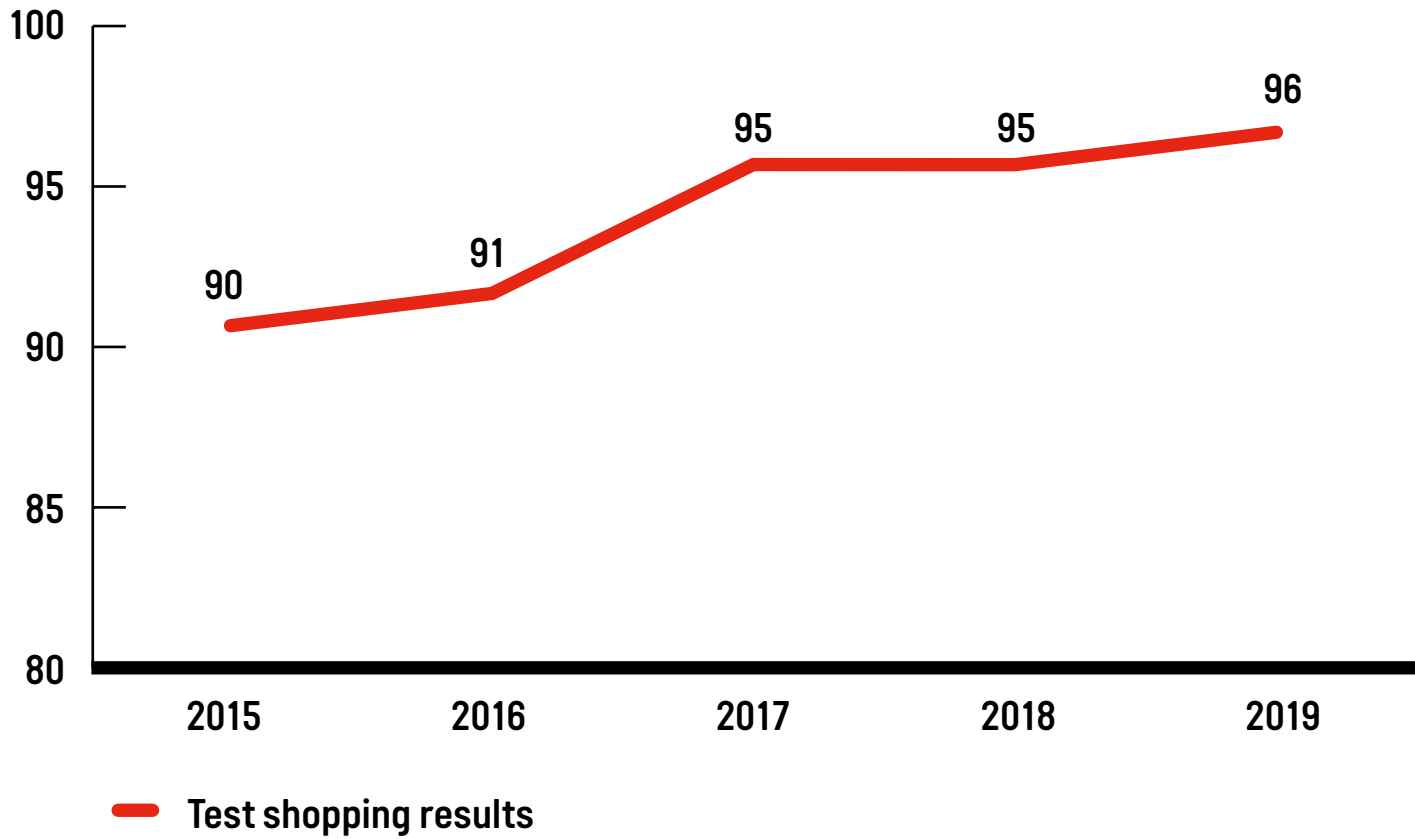
Every Alko employee must obtain a sales supervision passport, and receives induction in checking age limits, intoxication and suspected handovers. Staff receive regular training in responsibility issues. In 2019, we introduced new online training that focuses on the challenges posed by customers that require special service, for example, in cases of suspected intoxication. In our internal channels, there has also been lively discussion of issues surrounding sales supervision in routine customer service.

As skills develop gradually through experience, it is important to engage in practical learning on the job alongside training. In Alko stores, age-limit checks and other sales supervision procedures are entered into our POS system. The results are monitored by region, store and salesperson. Monitoring seeks to ensure reliable sales supervision of a uniformly high standard in all of our stores.

**RESPONSIBLE CUSTOMER SERVICE**

	2015	2016	2017	2018	2019
Age-limit checks (million)	3.7	3.8	4.6	4.6	4.6
Suspected cases of intoxication (thousand)	634	635	670	577	522
Suspected cases of handover (thousand)	311	345	395	359	316

**MYSTERY SHOPPING RESULTS FOR AGE-LIMIT CHECKS, %**



Mystery shopping is a research method based on observation, in which professional test customers shop at Alko stores in the guise of ordinary customers requiring service.

In 2019, we verified the age of young customers 4.6 (4.6) million times and carried out more than 316 (359) thousand checks of suspected handovers and 522 (577) thousand checks of suspected intoxication. Age-limit checks were performed on 8.6% of all customers in 2019 (8.3% in 2018), while 1.0% (1.0%) were checked for suspected intoxication and 0.7% (0.6%) were checked concerning suspected handovers.

Regional managers draw up their own self-supervision targets for 2020 on the basis of the previous year's figures. We do not intend to make a significant increase in the number of age-limit checks. Our 2020 targets will therefore follow 2019 figures, taking into account similar target levels for similar stores.

We monitor our success in age-limit checks using mystery shopping, in which young people of full age pose as regular customers in our stores. In 2019, mystery shoppers made four visits to each Alko store, that is, a total of 1,444 visits. One visit was also made to each pick-up point, that is, 88 visits. In 2019, Alko stores exceeded our mystery shopping target of 94%. 96.3% (95.0%) of shoppers were asked to



**The elderly are a new target group for 2020. We will be developing our staff's competence in areas relating to customer service.**

present ID as proof of age. Alko pick-up points significantly improved their score, as 95.5% (86.2%) of shoppers were asked to show ID.

**The #todistaikäsi (#proveyourage) campaign encouraged young people to show their ID**

Age-limit checks are supported by customer communications at stores and pick-up points, particularly at the end of the spring school term and when school starts up again in the autumn. A brand-new campaign – #todistaikäsi (#proveyourage) – encouraged young people to take the initiative and show their ID. Cooperation with young influencers and the humorous tests created by our campaign partner Basso-radio attracted plenty of positive attention among young people.

**Purchase ban agreement limits alcohol purchases**

A purchase ban agreement is a voluntary agreement aimed at limiting purchases of alcoholic beverages from one or more Alko stores, either by the customer themselves or by a family member or loved one. The initiative to draw up the agreement may come directly from the customer, or from a close family member or a loved one. Purchase ban agreements are always temporary, and can last a maximum of 12 months. In 2019, we signed 22 (13) purchase ban agreements, one of which was signed with a custodian. All the agreements were complete bans. Fourteen of the agreements were for 12 months, one was for ten months, and seven were for two weeks or less. Three agreements were terminated before the end of the fixed period. Seven agreements were made in rural areas and fifteen in cities.

The Concern Card is a new tool for Alko store staff for situations in which a customer expresses concerns about alcohol use, whether their own or that of a family member or loved one. We began planning and introducing the card at the request of our sales staff. The card includes contact information for parties to whom the person can turn to for assistance. Customers can call the free advisory service run by the Finnish Association for Substance Abuse Prevention (EHYT) or look for information about intoxicants and addiction on the A-Clinic Foundation's AddictionLink website.

**FEEDBACK CHANNELS RELATING TO RESPONSIBLE ALCOHOL USE**

Staff can give feedback and ask questions about sales supervision and preventing the harmful effects of alcohol consumption, not only via their own supervisor, but

also by directly contacting senior management through internal channels (Yammer and the intranet). Staff feedback in 2019 addressed issues such serving customers with dementia or substance abuse problems, and other questions relating to sales supervision situations. Staff, customers and other stakeholders can also contact Alko's customer service about issues relating to sales supervision and the harmful effects of alcohol consumption, by phone, email and chat. Customer feedback addressed topics such as sales supervision in stores and concerns about the alcohol use of family members or loved ones with substance abuse problems.

**Where are we headed?**

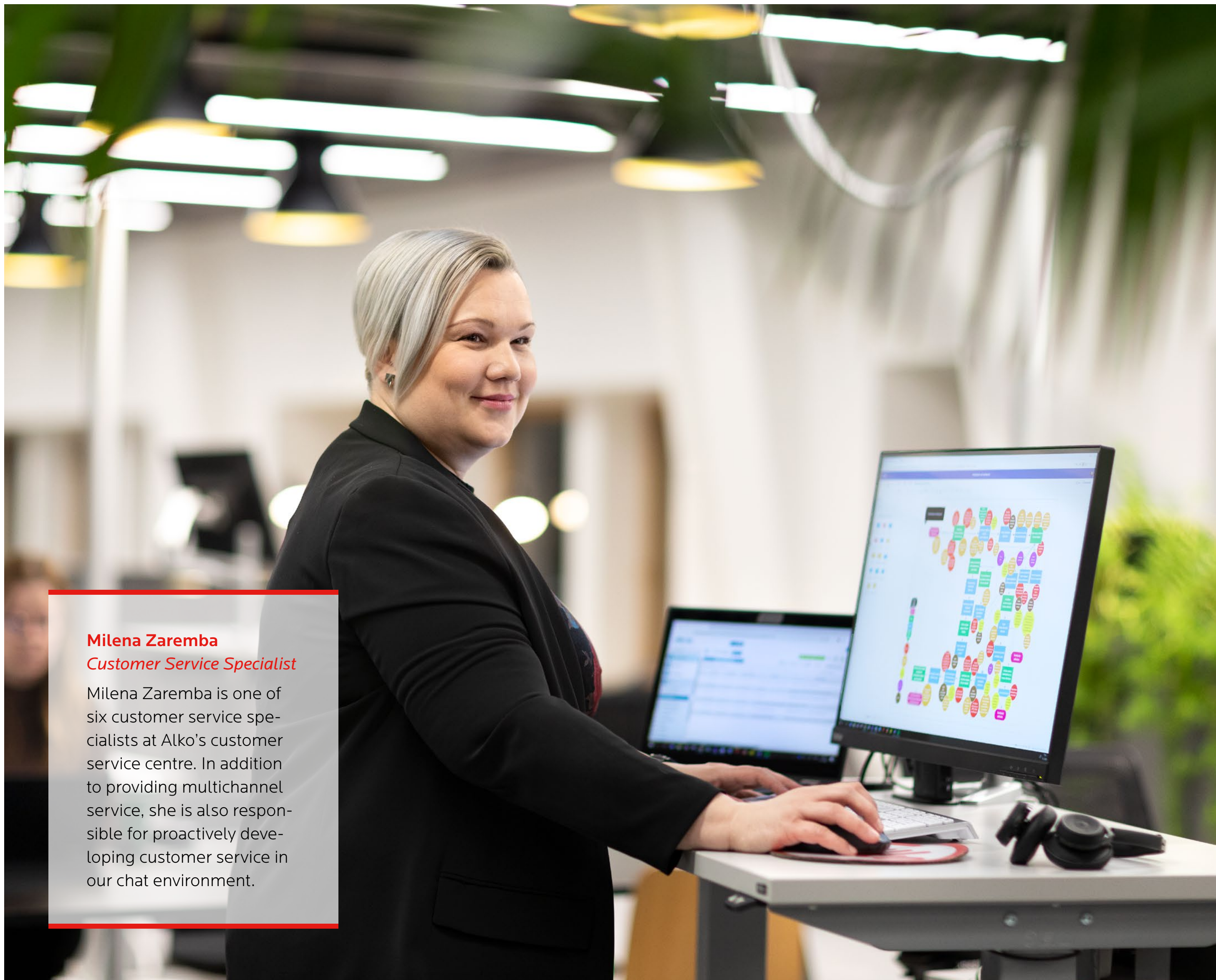
Our revised strategy will take Alko's responsibility efforts in an even more ambitious direction. Our responsibility efforts will be steered by the 2020 responsibility action plan, which is based on Alko's strategy.

The plan's key focal areas are:

- The most responsible way to sell alcohol in the world
- A pioneer in responsibility
- Uncompromisingly responsible customer service
- Championing wellbeing, fighting social exclusion
- Limited availability of alcohol

We will continue our robust responsibility efforts in collaboration with organisations and associations, including the support of alcohol research. The elderly are a new target group for 2020. We will be supporting themes relating to responsible alcohol use and wellbeing by repeating the Don't let a drop become an ocean campaign and by further increasing the visibility of other responsibility themes in both our stores and communications. We are setting even more ambitious targets for checking age limits, intoxication and suspected handovers. Competence development will also prepare staff for demanding service situations, such as assisting customers with dementia. Responsibility is on the agenda at all levels of the organisation, and responsibility measures are part of the [work and targets](#) of all Alko employees.





**Milena Zaremba**  
*Customer Service Specialist*

Milena Zaremba is one of six customer service specialists at Alko's customer service centre. In addition to providing multichannel service, she is also responsible for proactively developing customer service in our chat environment.

## WORLD-CLASS CUSTOMER SERVICE

World-class customer service is personalised and of a consistently high standard in all essential areas and all customer contacts. It is particularly important to consider all of our customers.

### Why is this important to us?

**A**lko wants to provide its customers with world-class service. A good customer experience is created by ensuring that the overall shopping experience is smooth, inspiring, familiar and consistent, regardless of the channel used.

Customers appreciate Alko's customer service, which is considered friendly, knowledgeable and helpful. In 2019, Finns once again voted Alko's customer service as the best in the Finnish retail sector – as they have been doing since 2011 (KAP, Taloustutkimus).

A good customer experience consists of the following cornerstones:

- memorable encounters in stores, over the phone or via chat
- easy shopping in all customer service channels
- a comprehensive network of stores
- an extensive, diverse and responsible range of products

We must combine responsibility with excellent customer service. We want to promote Finnish food and drink culture and place our expertise at our customers' disposal.

An excellent customer experience consists of considerate and friendly service combined with a selection that meets our customers' needs. Alko's diverse and ever-evolving selection enables customers to take an armchair tour of the world from their own living rooms. It is important that our selection offers both a wide range of products from around the world and local products from small producers.



Each store monitors demand for our various product groups, and in-store selections will vary depending on demand, customers' wishes, and store size. A store will stock 500–3,000 products. Even the smallest Alko stores have the whole world in a glass.

**SMOOTH SERVICE IN ALL CHANNELS**

Alko serves customers throughout Finland, from Hanko to Nuorgam and from Vaasa to Ilomantsi. Our service network evolves in line with changes in both our customers' needs and our operating environment. Our multichannel service network consists of 361 stores, about 100 pick-up points, our online shop and our mobile app. Three out of four Finns live within four kilometres of an Alko service point.

The Alko online shop offers customers all across Finland an equal opportunity to browse and buy from our selection whenever it best suits them. Customers can place online orders free of charge, either in the online shop, using our mobile app, or in-store with the help of a salesperson. More than 91,000 orders were made via our online shop during 2019. We are continually developing our multichannel customer service network and launched our mobile app in March. Using the app, customers can easily find the closest store, browse our selection, check product availability, save favourites, and order products. The app had almost 45,000 users by the end of December.

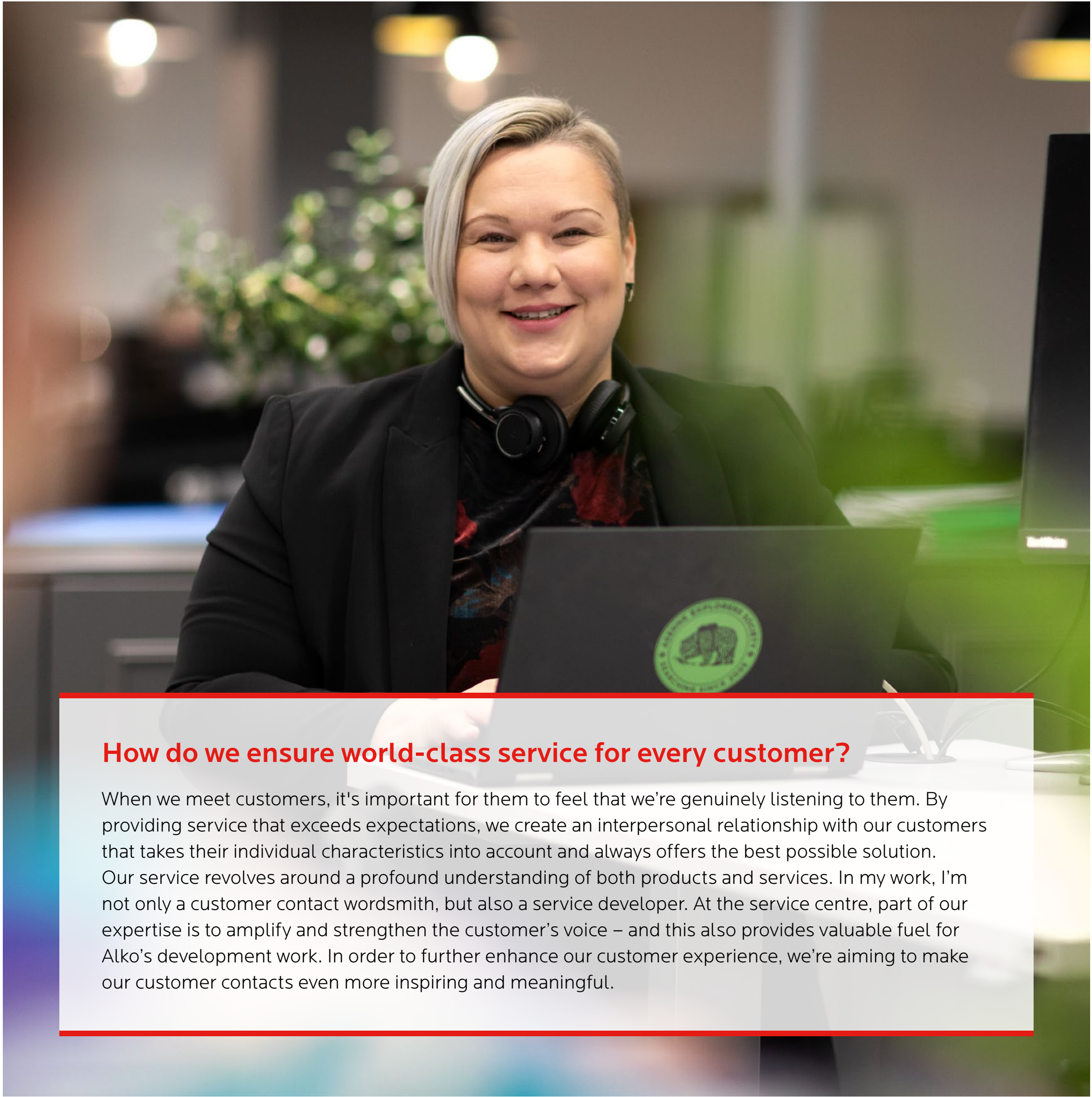
Alko's customer service turned twenty on 1 March 2019. Over the years, our customer service has grown from a two-person phone service to a multichannel service centre with more than 20 advisors.

These advisors serve customers by phone, email, social media and chat during Alko store opening hours.

Our customer service can recommend beverages to accompany food and provide assistance with using the online shop, store opening times, product availability or order queries. The customer service centre received a total of 82,000 customer contacts in 2019.

Streamlining customer service and the agile development of our customer experience were two major development themes in Alko's multichannel customer service.

In 2019, we piloted a chatbot that provides customer service advisors with alternative answers to questions that are frequently asked in our chat channel. Encouraged by these favourable results, we decided to continue using the bot to support customer service and further develop our use of AI.



**How do we ensure world-class service for every customer?**

When we meet customers, it's important for them to feel that we're genuinely listening to them. By providing service that exceeds expectations, we create an interpersonal relationship with our customers that takes their individual characteristics into account and always offers the best possible solution. Our service revolves around a profound understanding of both products and services. In my work, I'm not only a customer contact wordsmith, but also a service developer. At the service centre, part of our expertise is to amplify and strengthen the customer's voice – and this also provides valuable fuel for Alko's development work. In order to further enhance our customer experience, we're aiming to make our customer contacts even more inspiring and meaningful.



**Every customer is equally valued, and we put the emphasis on personalised customer contacts.**

**CUSTOMER CONTACT MODEL SETS NEW TARGETS**

Alko’s customer service is based on a three-tier customer contact model that sets targets for customer contacts. Our customers are all different, as are our customer service staff – individuality and authenticity are important.

Our customer service staff treat all customers equally and ensure that Alko stores are clean and easily navigable. Customers feel welcome. We highlight personalised service. Our staff are experts in analysing and identifying what kind of service customers are hoping for. Whilst one customer may choose a familiar product and appreciate fast and efficient service, another may be seeking recommendations for beverages to accompany food, guidance on making responsible choices, or information about new products and special editions. A customer service expert will be able to apply their knowledge to a variety of situations and momentarily get involved in their customer’s daily life or celebratory mood. We want to help our customers and make them feel that they have made the right choice.

**SERVICE AND SELECTION EXPERTS SUPPORT CUSTOMER SERVICE**

Every store has a shop service expert and shop selection expert that ensure world-class customer service together with the service manager and the rest of the sales team.

- In addition to their regular duties as sales staff, the experts ensure that:
- store staff listen to and closely monitor customers’ feedback and wishes – and react to them
  - the store’s selection meets local requirements
  - the store’s image and displays are in order, and the team works well together and provides excellent service.

**What have we done?**

We want to further strengthen our personalised customer contacts and involve our customers in the development of Alko’s selection and service. As in earlier years, we focused on developing our customer experience and service in 2019.

**CUSTOMERS’ WISHES REFLECTED IN OUR SERVICE AND SELECTION**

An excellent customer experience is close to our heart. We continuously develop our operations by listening to and working with our customers. It is important for us to meet our customers’ needs to the best of our ability. During the year, our feedback channels received more than 20,000 items of feedback, ideas and requests concerning our service and selection. Our customers also give feedback to sales staff when visiting Alko stores. If a customer sends feedback to a particular store, that store is always able to read and make use of it.

In addition to spontaneous feedback, we also encourage our customers to respond to our ‘How well did we do?’ survey three times a year. In this survey, customers give us their views on their last store visit, as well as feedback on Alko’s selection and customer service. We received more than 7,000 responses to the survey in 2019. Customers can also give feedback via cash register surveys, which elicited almost 1.5 million responses in 2019. The cash register survey analyses customers’ satisfaction with the store’s selection, or whether their store visit was worthy of praise. The results help us to identify variations in our customer experience, either daily or during the week, as store-specific results are available in our reporting system.

We are enthusiastic about developing customer service. A variety of customer satisfaction surveys provide us with valuable data on what contributes to customer satisfaction and how we should develop our services and selection. We want to understand our customers and identify the factors that determine consumer behaviour and habits, as this will help us to better meet our customers’ needs. On the basis of customer feedback, we have introduced services such as “customer wish” shelf labels, which indicate that the store stocked that particular product on the basis of a customer’s wish.

We are also developing our services and selection in collaboration with a panel of customers (Advisors) that currently has more than 4,500 members. We organise customer events for the advisors on the panel, and their feedback on a number of topics is also requested using email surveys. Six workshops were held around Finland in 2019. Their topics included Alko’s mobile app, the content of our magazine Etiketti, and transparency in the supply chain. Feedback survey topics included “event markets” at Premium Stores, the content of the food & drink section of Alko’s website, transparency in the supply chain and product traceability.

**We are enthusiastic about developing customer service. Our panel of customer advisors has more than 4,500 members.**



**Finnish and international trends, including industry phenomena, play an integral role in the planning of our ever-evolving selection.**



### MEASURING SERVICE QUALITY WITH MYSTERY SHOPPING

At the beginning of 2019, after a break of a few years, Alko started measuring service quality with the aid of mystery shoppers. These mystery shoppers measure our level of success in providing world-class service and help to ensure a consistent customer experience.

120 stores were involved, and three mystery visits were made to each store during the year. The mystery visits were made by our external partner. The areas that were assessed were based on the objectives of our customer contact model. All of the basics must be in order: store cleanliness, a comprehensive selection, and being attentive to customers. A personalised customer contact is an important part of world-class service: what kind of impression and feelings will the customer be left with? The mystery result for being attentive to customers entering the store is one of the elements that affects store staff's strategy bonus.

### AN UP-TO-DATE SELECTION THAT MEETS CUSTOMERS' NEEDS

Alko is a specialised chain that sells its extensive and high-quality selection of alcoholic beverages in a responsible, fair and efficient manner through its nationwide store network.

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. When deciding which products to purchase for its selection, Alko assesses each product from a variety of perspectives, the most important being the customer, quality, trends, demand, the selection and responsibility. Legal and regulatory requirements are also taken into account.

Each store's selection is built around Alko's extensive general selection. This general selection is supplemented with seasonal products, special editions and the sale-to-order selection. Each store's basic selection will be updated three times a year. New products reach store shelves on a weekly basis. In 2019, we placed greater weight on customers' wishes when planning store selections.

Seventy per cent of a store's selection is centrally managed according to demand. The stores themselves choose the remaining 30 per cent, by adding optional products according to local demand. Each Alko store monitors demand for different product groups, and their selections vary in accordance with customer requirements and store type. Stores are also instructed to pay attention to different customers' various needs, seasons and themes, trends, different price categories, Green Choice products, and non-alcoholic beverages.

On the first Thursday of every month, we put special editions on sale in our online shop and our flagship and specialist stores. As their name suggests, special editions are slightly more unusual beverages that will only be stocked in limited quantities during the period in question. They will be rarities from around the world or a taste of the latest trends. The special editions concept was revised in 2018 and has been further developed to bring more customer-oriented and up-to-date thematic collections to our selection every month. Finnish and international trends, including emerging phenomena, play an integral role in the planning of our ever-evolving selection.

All of the products we sell are purchased from Finnish or foreign suppliers, of which we have more than 600 in total. Alko engages in close cooperation with its suppliers, and Alko employees meet with thousands of producers and suppliers all around the world to better understand market offerings, trends, production, and production regions.



Responsibility carries some level of importance in the purchase decisions of 92 per cent of Alko customers.

We measure customer satisfaction with Alko’s selection twice a year using a Selection Satisfaction Survey (carried out by Dagmar Drive). Selection satisfaction remained at an all-time high in 2019, with a score of 8.52 (2018: 8.52).

SUSTAINABILITY, RESPONSIBILITY AND ETHICS INCREASINGLY IMPORTANT AS PURCHASE CRITERIA

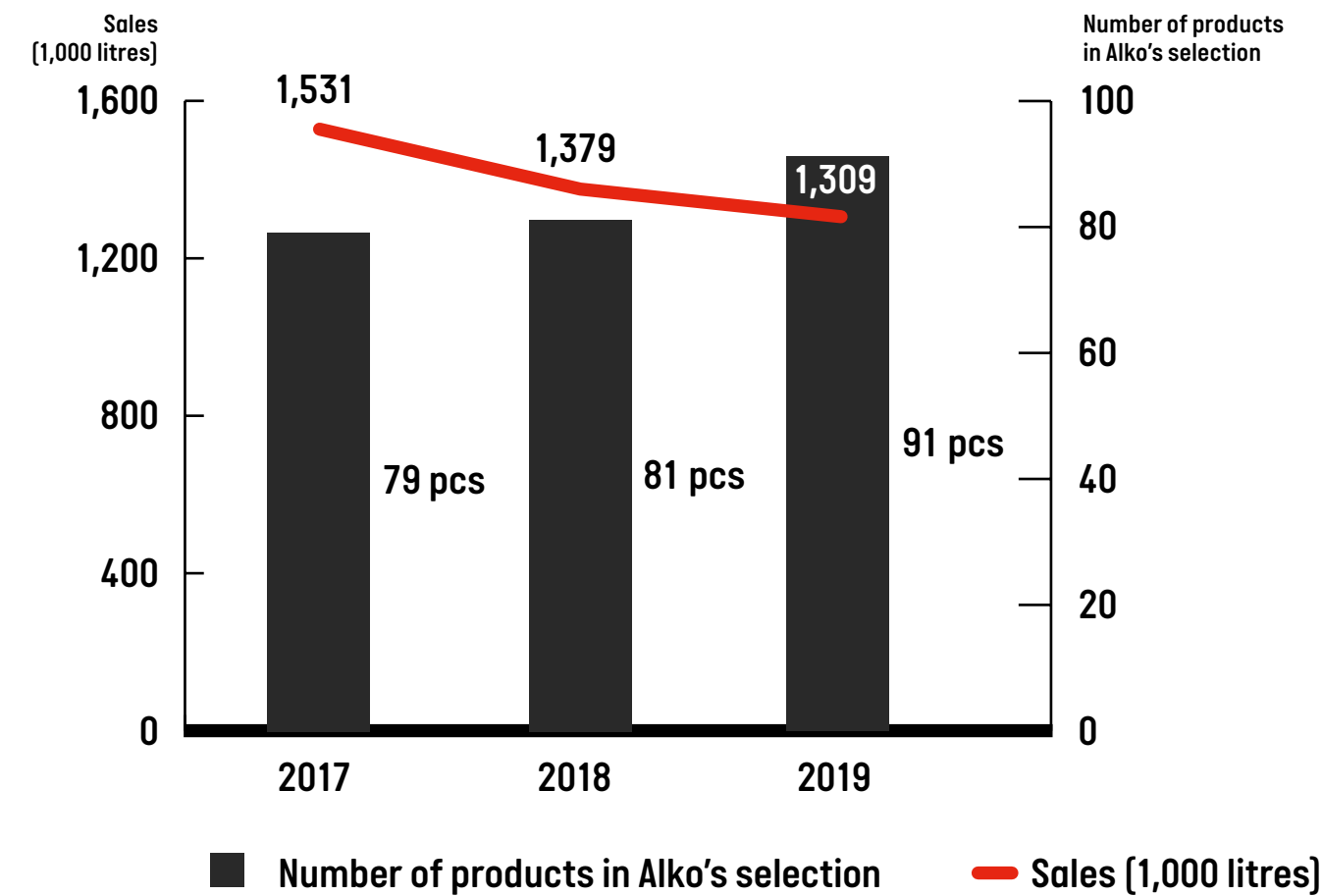
Alko cooperates with suppliers, producers and organisations to increase awareness of social and environmental responsibility and to promote sustainability throughout the entire supply chain. We seek to offer our customers an extensive selection of high-quality, responsibly produced products, and to ensure traceability in the supply chain. Customers can also choose low-alcohol beverages, products in smaller packages, or completely non-alcoholic beverages. Our operations are steered by our desire to be an exemplary purveyor of alcoholic beverages. With the aid of communications

and workshops, we worked to get suppliers to commit to Alko’s strategy in 2019.

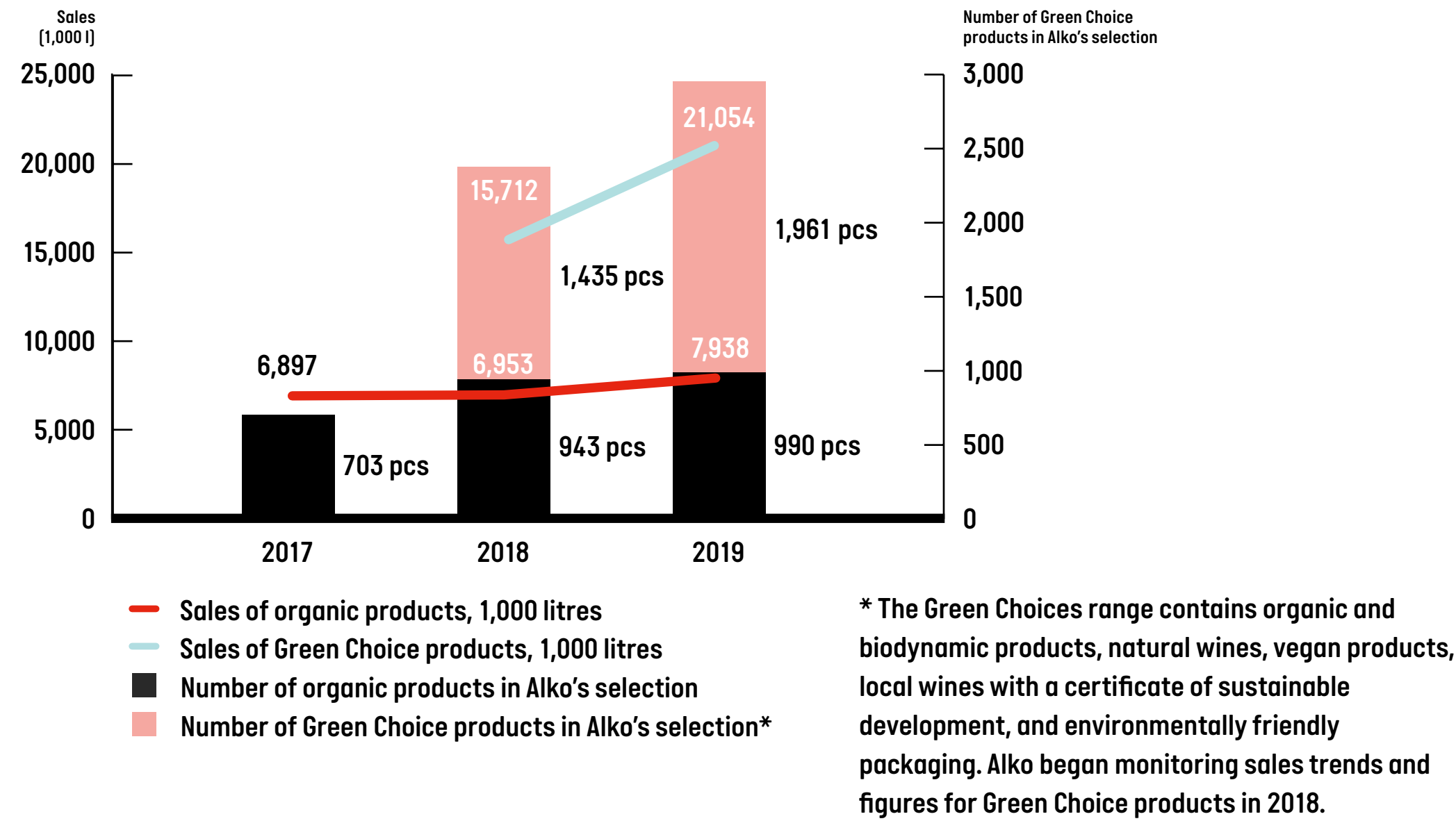
Sustainability, responsibility and ethics are clear trends, and are becoming increasingly important purchase criteria for Alko customers as well. Customers are becoming increasingly aware and are also demanding concrete action. According to a survey conducted in 2019, responsibility already has some level of importance in the purchase decisions of 92 per cent of Alko customers. Men and young adults in particular are showing increased interest. (Source: Alko’s selection satisfaction survey, Dagmar Drive, January 2019.)

Alko stocked its first organic certified wine way back in 1994. The Green Choice range was launched in 2017 and its various symbols indicate the producer’s commitment to environmental efforts and sustainable development. The products may be organic, biodynamic or vegan, be natural wines, have local sustainable development certification, or come in environmentally friendly packaging. At the end of the year, about 20 per cent of the products in our selection carried one or more Green Choice symbols.

SALES TRENDS AND FIGURES FOR PRODUCTS WITH ETHICAL CERTIFICATION



SALES TRENDS AND FIGURES FOR ORGANIC AND GREEN CHOICE PRODUCTS





We sold 21.1 million litres of Green Choice products, which numbered almost 2,000 in total. Sales of Green Choice products grew by 34 per cent on the previous year. We had a range of 1,083 organic products, of which we sold 7.9 million litres. We sold 1.3 million litres of ethical products, of which we had 91.

There were 189 non-alcoholic products in our selection, 212 low-alcohol wines, and a selection of 533 wines in small packages. We sold a total of 3,714,200 litres of these beverages in 2019.

We also introduced new Alko-brand non-alcoholic products: Vällivesi (bottled water), Nokkostonic (nettle tonic) and Pihlajanmarja-glögi (rowan berry mulled wine).

PROVEN SAFE PRODUCTS

Product safety and high quality are essential for an excellent selection. Alko Quality Control assures the safety of the products in our selection in cooperation with our goods suppliers.

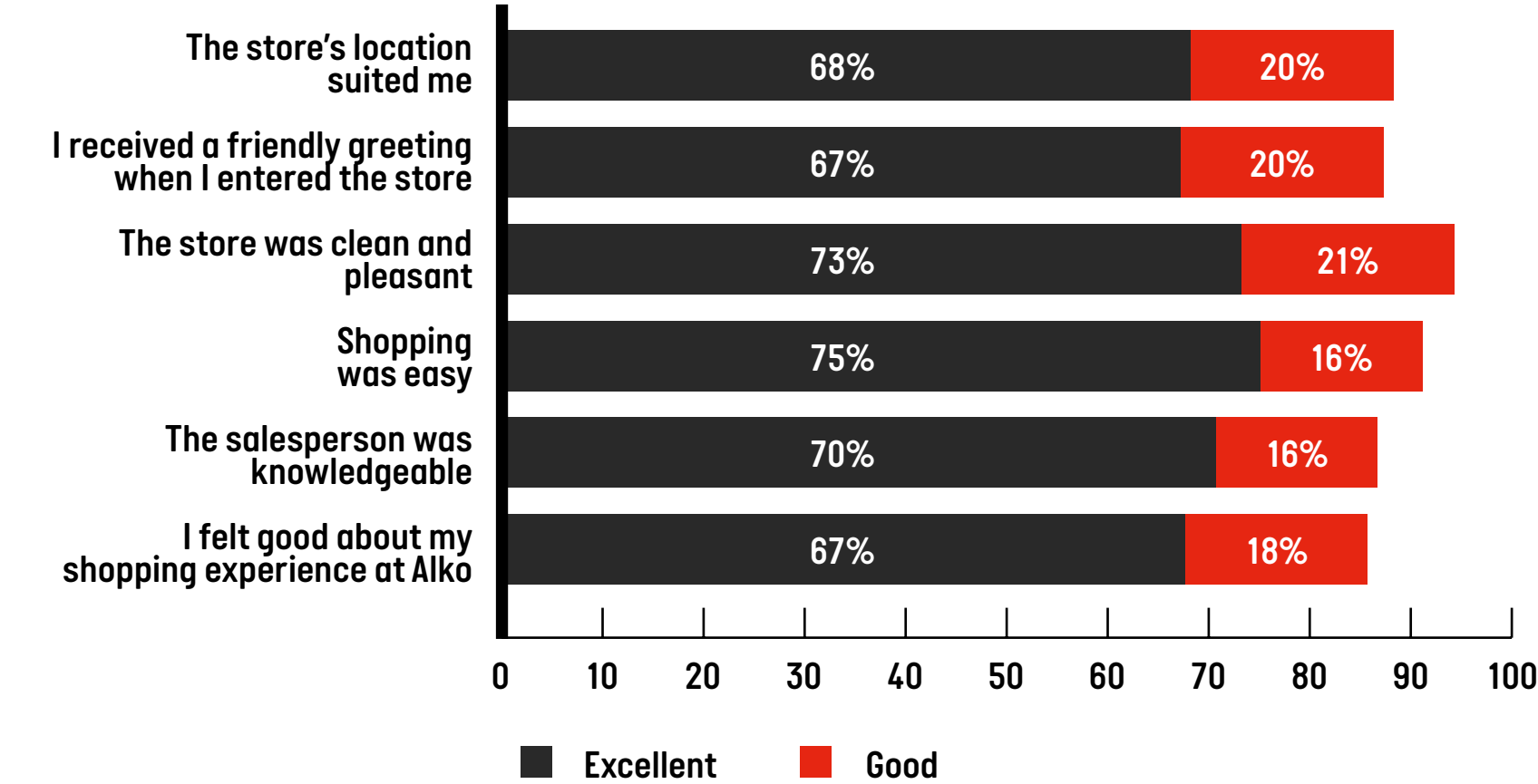
Product quality is tested through sensory evaluation and supported by laboratory tests performed at our Alcohol Control Laboratory (ACL). Both special editions and the products in Alko’s general selection are analysed by the ACL before ending up on the shelves. The analysis seeks to supplement the product selection process and ensure that the products comply with legislation, are flawless in quality and taste, and are accurately labelled.

For example, the ACL analyses the alcohol content of an alcoholic beverage to ensure that it matches the ABV indicated on the label. In addition, it analyses characteristics such as the bitterness of beers, sugar content of wines and the amount of sulphur used as a wine preservative. The ACL has a team of 15 people who examine about 6,000 samples each year, carrying out a total of more than 60,000 analyses. In addition to providing analyses for Alko, the ACL also offers alcohol analytics to Finnish authorities, beverage manufacturers and importers.

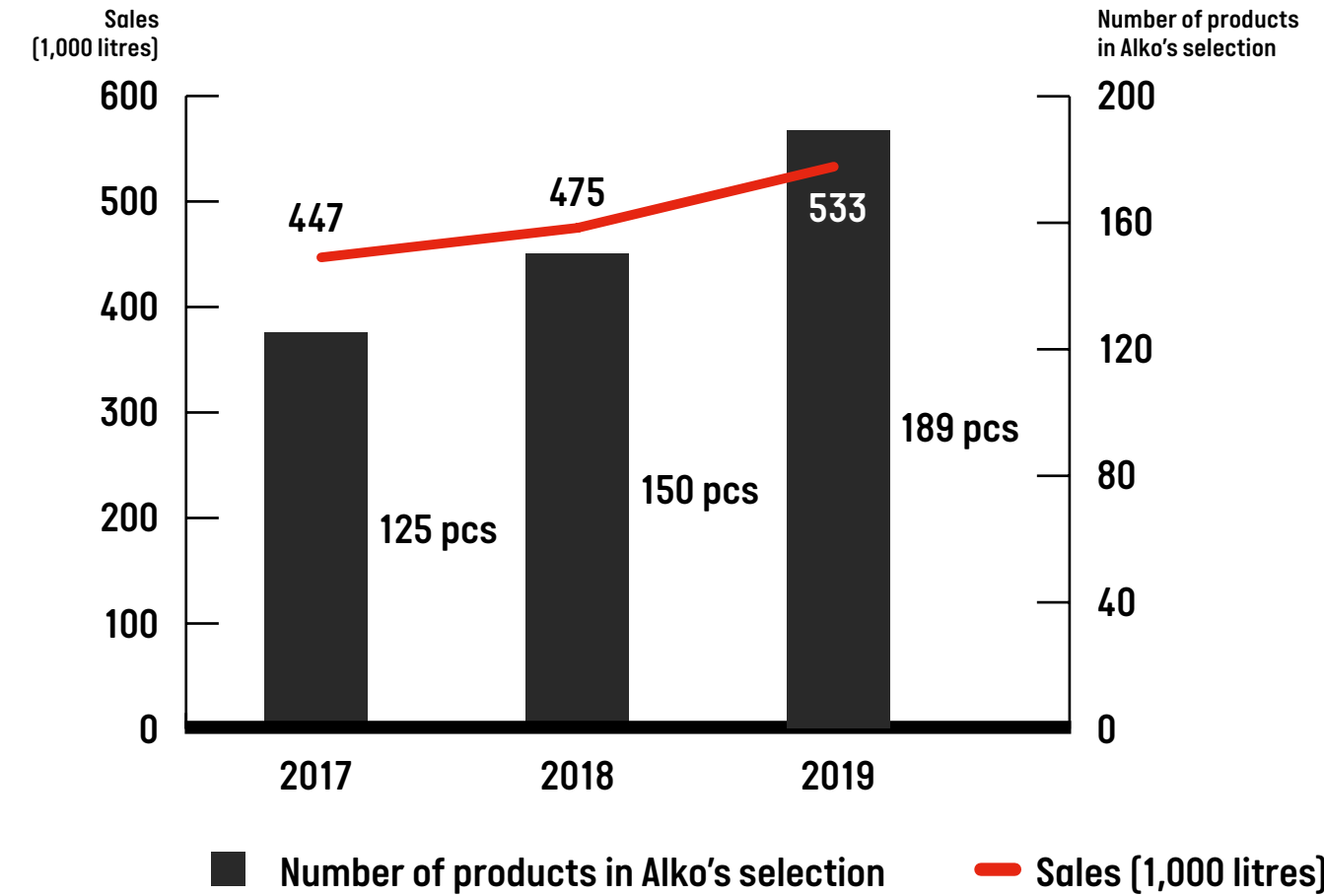
Product quality is no accident

Each Alko product candidate undergoes a precise screening process that assesses certain criteria. The products already in Alko’s selection are regularly subjected to sensory evaluations, for example, if the supplier notifies us of any changes to a product or when a wine vintage changes. When taste-testing a new vintage, we also update the characteristics and taste type provided in our customer materials.

HOW WELL DO THE FOLLOWING STATEMENTS DESCRIBE YOUR LAST VISIT TO ALKO?



SALES TRENDS AND FIGURES FOR NON-ALCOHOLIC PRODUCTS





Quality assurance performed sensory evaluations of more than 12,000 products. Customer returns rose by 4 per cent on the previous year.

### YOUR LOCAL ALKO STORE

During 2019, we refurbished 48 stores and opened two new stores: one in Tesoma in Tampere and the other at the Mall of Tripla shopping centre in Helsinki. The refurbishments sought to make the stores more pleasant and their layouts clearer, and to help customers shop more easily. According to the Service Plus survey 7/2019, customers found Alko stores to be clearly laid out and stylish, and easy to shop at.

In order to make shopping easy, Alko locates its stores in central commercial areas in the vicinity of other services. Examples include shopping centres and service clusters. Store locations are guided by factors such as customer service perspectives, responsibility, financial viability, and an area's population base. Our choice of retail points also considers our store's impact on competition in the grocery trade. The Regional State Administrative Agency (RSAA) grants retail sale permits for alcohol.

At the end of 2019, 27 per cent of Alko stores were located next to S Group stores, 26 per cent next to K Group stores, five per cent next to Lidl stores, 13 per cent in shopping centres, and 13 per cent in hypermarket centres, with the rest being in a variety of different locations. Alko assesses its store network – the location, size and number of stores – continually. All of the company's applications for retail points are public knowledge and can be viewed on the Alko website.

The number of Alko pick-up points rose to 100 during 2019. Pick-up points form part of Alko's multichannel service network and act as handover points for on-line orders. Pick-up points serve customers in areas without an Alko store. Pick-up points hand over orders during Alko store opening hours: 9am–9pm on weekdays and 9am–6pm on Saturday.

## Where are we headed?

We want to continue meeting the expectations of our customers and other stakeholders to the best of our ability – which is why we are continually developing our activities. Paying attention to both changes in our operating environment and our customers' ever-evolving expectations and requirements will continue to play a key role in the future development of our customer experience.



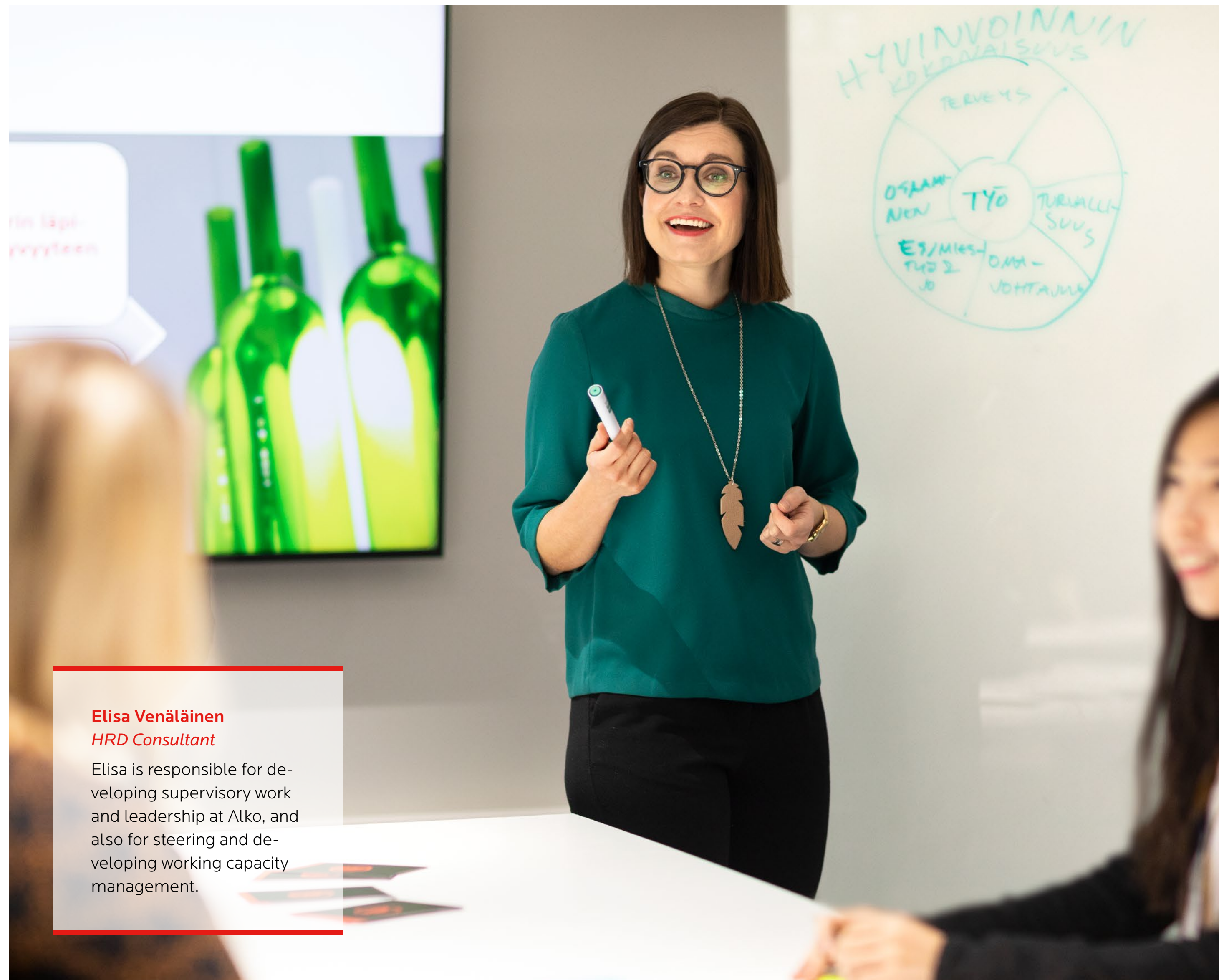
We are seeking a smoother and more personalised experience in digital service channels. We are continuing to renew and develop our service network. We will continue to increase the number of pick-up points and the coverage of Alko's service network in a controlled manner. Our long-term goal is to have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

When it comes to our selection, we are investing in a more customer-oriented and responsible range of products that better meet local demand. Customers are increasingly interested in sustainability, responsibility and transparency in the supply chain. Over the coming years, we will be increasing the number of responsible products in Alko's selection. We cannot create a world-class selection alone – our close and fruitful cooperation with suppliers will continue. Alko wants work with other industry actors to generate value for our customers. We want to make quicker and more extensive use of our customers' requests and feedback in the development of our selection.

We will be enhancing our smooth, friendly, knowledgeable and personalised service in all customer contacts. We want to be esteemed by our customers and lead the way in customer experience.

**We want to promote Finnish food and drink culture and utilise our extensive expertise in customer service.**





**Elisa Venäläinen**  
*HRD Consultant*

Elisa is responsible for developing supervisory work and leadership at Alko, and also for steering and developing working capacity management.

## AN INSPIRING AND MOTIVATING WORKPLACE

Enthusiastic and knowledgeable staff who feel good at work provide world-class service. This year, we will be focusing on clarifying our common goal by playing strategy games and restructuring resourcing for smoother workflows. We are proud of our staff's expertise.

### Why is this important to us?

Our employees are of key importance in both providing [world-class customer service](#) and ensuring Alko's success. Our personnel's wellbeing and job satisfaction are of paramount importance to us. Our profound expertise and enthusiastic attitude towards customer service are reflected in how we serve our customers.

Our policy is to work closely together and involve each other in a variety of projects. In 2019, we started to put Alko's revised strategy into practice together with all of our staff. Staff considered the impacts of Alko's strategy and their everyday choices – in store teams, with supervisors, at head office, and with the aid of gamification in a variety of different groups. We brought strategy to life by playing two rounds of our strategy game. This online game described everyday situations and then asked teams of participants to consider and discuss how they should act in that situation in order to promote Alko's strategy. Supervisors also played a third round, in which they and their colleagues discussed putting leadership skills into practice when presented with routine management situations.

We want to be a modern and diverse workplace community, and to promote equality and equal treatment. During the year, we defined dimensions for diversity and have also taken diversity into greater consideration in HR development and



**On the basis of the Personnel Motivation Index, our staff are enthusiastic about lifelong learning, sharing knowledge and experiencing success at work.**

management. In the autumn, we commissioned a survey that interviewed more than 300 Alko employees to identify the factors that affect our corporate culture, in terms of both its current strengths and any elements that need to be enhanced. Corporate culture plays a key role in our organisation's success. Our strategy becomes reality through what we consider to be important, what we say, and how we act in our daily work. A comprehensive picture of our current culture will help us to further develop Alko as a company and as the most attractive workplace in the sector.

## What have we done?

Alko employees received an average of five days of training during 2019, which is a considerable investment in competence. Continual personal development is motivating, and brings a sense of achievement to both sales work and customer service. During 2019, we revised both our induction courses and our product and service training in line with our new strategic objectives. Certain areas are becoming increasingly important in development: service management, customer contacts and the many aspects of sustainability, such as Green Choice products and Alko's diverse responsibility themes.

### LIFELONG LEARNING FOR ALKO STAFF

We want to offer our staff the opportunity to experience motivation and success. We regularly monitor our employee experience with a personnel survey, which was carried out twice in 2019. On the basis of this survey, our most important indicator of the employee experience as a whole is the Personnel Motivation Index. The index was slightly down on the previous year, (3.91 compared to 3.99), but is still better than the service sector average. On the basis of the survey results, our staff are enthusiastic about lifelong learning, sharing knowledge and experiencing success at work. Our employees feel that Alko provides world-class service, that personnel have the knowledge and skills to deliver world-class service, and that our mission – the most responsible way to sell alcohol in the world – is being realised in practice. More critical responses were given in areas such as perceived wellbeing at work, getting energy and joy from work, and belief in Alko's future success. We will focus on strengthening these areas during 2020.



### How does an inspiring workplace community motivate me?

Hardly a day goes by when I'm not inspired! And about many things: bringing strategy alive, leadership and supervisory work, working capacity issues or even HR indicators. The things that excite me most are meeting people, brainstorming and working together on development. I believe that enthusiasm is contagious. So it's really important for teams to be able to work well together, as this feeds enthusiasm and ensures success. This is what I want to promote together with our supervisors. I'd like to think that it's ultimately my work that helps to ensure world-class customer service: the fact that staff can stay mentally and physically healthy and maintain their working capacity plays a key role, but management contacts are also highly significant.



**Our success is measured in every customer encounter, which means continual learning.**

Sales staff do shifts in a number of different stores. Management and office staff also work in stores during the busiest seasons. This helps us to develop everyone's competence and increase our shared understanding.

**Learning and competence development a significant resource**

We see competence development and learning as a significant resource that plays an important role in both our personnel's wellbeing and providing world-class customer service. Alko uses a model for personnel competence development and HR management that places great importance on Alko's skills hierarchy that describes the competence of salespeople, voluntary competence development, and identifying and sharing your own expertise. In 2019, the skill descriptions used to assess sales staff's competence were updated in line with our strategic objectives.

Alko employees spent an average of five days developing their competence in 2019. We use the 70/20/10 model: 70 per cent consists of learning by doing in day-to-day work, 20 per cent is communal learning and 10 per cent is training. That said, our aim is to organise training events such that they always involve participatory ways of learning, which facilitates sharing the lessons learned with other Alko employees and putting them into practice in stores. A broad range of online courses were also provided in addition to face-to-face training. New online courses covered topics such as responsibility and an introduction to customer contacts in digital game format.

Our success is measured in every customer encounter, which means continual learning. All personnel are provided with two days of product and service training in the form of seasonal training on current themes. Training focuses on further strengthening our world-class service and taking our customers' wishes into account. Product expertise was enhanced with opportunities to explore rosé wines, sparkling wines, gins, rums, and fortified and sweet wines in terms of their characteristics and occasions for use. 88 per cent of store personnel – that is 1,884 Alko employees – participated in seasonal training during the past year.

Advanced training focused on whiskeys and Italian red wines. We also provided advanced training in food phenomena, this time exploring Asian cuisine and combining brewery products and food for different occasions. Although customer service and responsible sales work are standard themes in all Alko training, we also held advanced sessions in these areas last year. Our customer service training fo-

cused on providing a comprehensive customer experience in Alko stores, a variety of service exercises, and empathy skills. In our responsibility training, we practised how to introduce responsibility and Green Choice products into customer service situations, and exactly what we mean when we say 'the most responsible way to sell alcohol in the world'.

**Induction updated using service design**

We updated our induction for sales staff, supervisors and head office personnel. We made use of service design, by involving staff and asking them to consider how we could renew the content and format of induction. In addition to including staff, a service designer also went through the entire process from the job application to in-store induction, and reported their experiences. These results were used to develop our induction content and practices.

New sales staff will be given five face-to-face training sessions on the basics of customer service, our various product groups, and being part of the Alko team. The package will be completed over a period of one to two years. Seasonal workers will have their own induction, which focuses on customer service, working the cash register, sales supervision and basic product knowledge.

In larger cities, we also introduced an induction course on in-store practices. In these stores, new employees will spend two days learning about sales work with a trainer: sales supervision, customer service, working the cash register, and other basics. On the third day, the new salesperson will start work in their new store group and get to know their team.

Alko's own digital app – Taste Deposit – is already a well-established tool for sales staff. Customer service staff use this app to share their product expertise and other things that could be useful to their colleagues, such as product reviews and background information, recommendation arguments, and stories about products and producers.

We launched a new innovation initiative and opened the Ideabox website. Here, every Alko employee can transparently post ideas for a variety of activities and business development. This service will enable all personnel to share and comment on their ideas or insightful observations. They will also have the chance to see how their ideas develop openly and transparently when fuelled by the organisation as a whole.

**Staff use the Taste Deposit app to share information that colleagues may find useful, such as product expertise, product reviews, recommendation arguments, and background stories about products and producers.**





### Seeking praiseworthy management contacts

In addition to the sales staff and service manager, every Alko store group also has a shop service expert and shop selection expert. This model was introduced in 2018 and the first two-year term ended at the end of 2019. During this period, the experts were given training and coaching that focused on enhancing their daily work and performing their duties within the store group. Shop selection expert training also included coaching on selection strategy perspectives and business intelligence.

Both service managers and shop service experts received training in service management, customer contacts and giving feedback to teams as part of our objectives to provide world-class service. The training included inspiring and practical exercises, and was well received by the participants.

We began revising shift planning for store staff in order to achieve smoother workflows and standardised working methods. We switched to a more centralised model. Centralised shift planning has been tested at several stores and resulted in positive experiences. In line with our objectives, we were able to reduce the amount

of time service managers spent on shift planning, thereby freeing up their time for leadership tasks. We were also able to collate best practices for shift planning and put them into wider use.

We launched a development programme for sales staff in 2019. This programme sought to identify potential supervisors and help sales staff become service managers. Sales staff have received training in supervisory tasks and also familiarised themselves with a service manager's work through internships and as substitutes. Although this development programme will continue in 2020, we have already hired new store group service managers via the programme after the first year.

At Alko, personal development for supervisors focuses on leadership skills, well-being, and bringing our strategy to life through practical application. We revised our model for supervisory work and management. We updated leadership skills and set a new target: 'Praiseworthy management encounters.' An Alko supervisor is responsible; inspiring and inclusive; agile and efficient; and coaches others. These four areas were opened up to supervisors through practical examples. We also provided supervisors with training on working capacity management and managing their own wellbeing, with the aid of both online courses and face-to-face training days.

### WELLBEING AND SAFETY AT WORK

Physically and mentally fit staff play a key role in providing world-class service. We want to invest in our personnel's wellbeing, whilst also proactively preventing and resolving any risks to working capacity. We examine wellbeing on a broad scale, and safety is also an important element.

In 2019, our working capacity management primarily focused on developing reporting and working capacity processes, as well as supporting and developing supervisors' working capacity management. We held several training sessions for service managers on working capacity management themes, such as identifying working capacity target groups in order to support successful negotiations with occupational healthcare. They also familiarised themselves with various ways of supporting working capacity. All supervisors completed our online training in working capacity management, and were also offered training to support their own wellbeing.

We worked with occupational healthcare to develop an even more sophisticated model and range of services to support working capacity. We also held two ergonomics weeks during the year to remind people of the importance of these issues.

**An Alko supervisor is responsible; inspiring and inclusive; agile and efficient; and coaches others.**



The ergonomics weeks had several themes, including brain ergonomics, recovery and “One Small Change”. The latter sought to underline how even small changes can have an important impact on wellbeing and coping.

Store security relies on staff expertise. It is important that our staff can quickly identify potential threats and disturbances, and are able to take action without compromising their own or their customers’ safety.

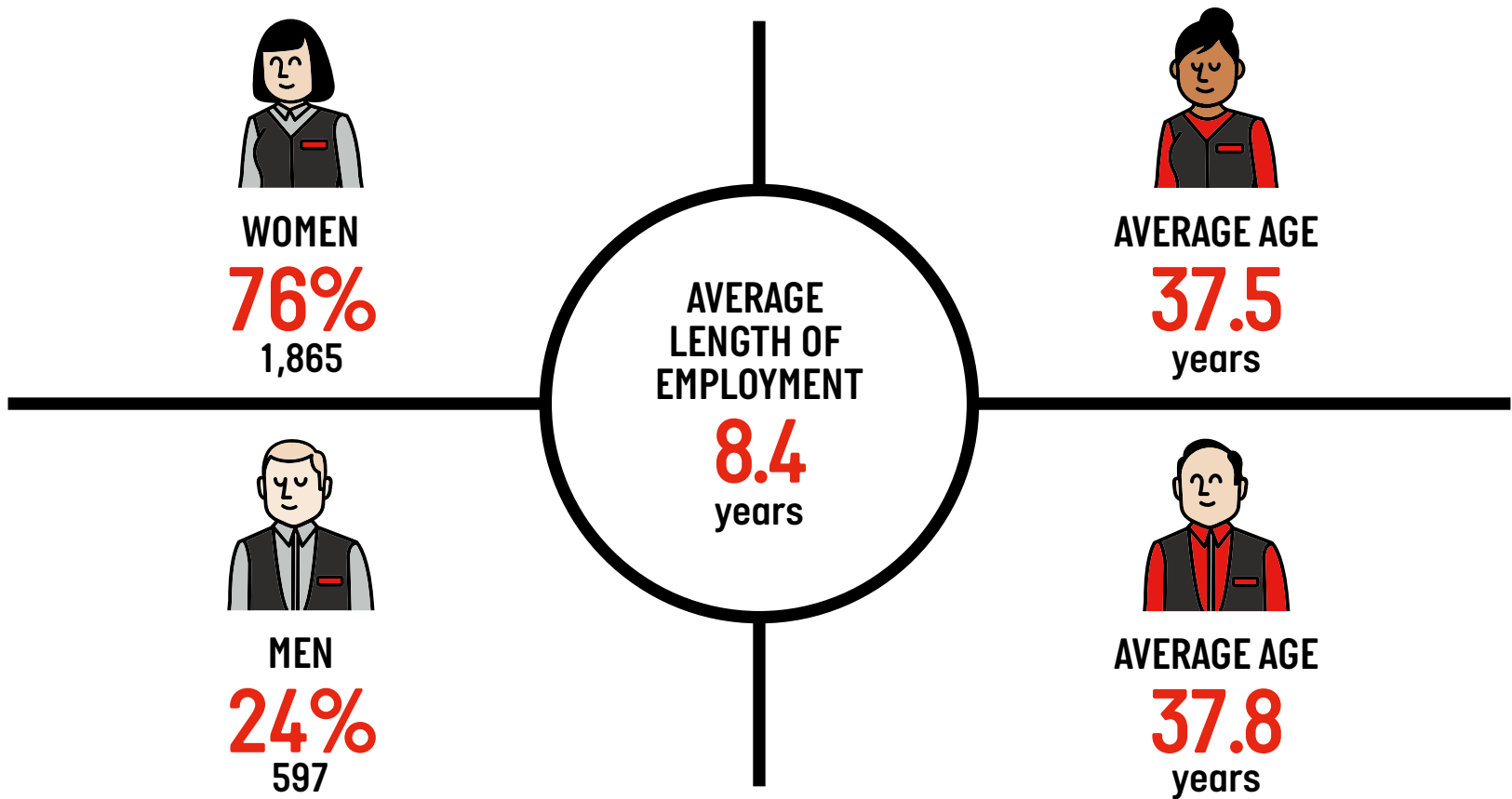
Reporting safety observations is an essential aspect of safety at work. Safety observations should be made for exceptional circumstances, threatening situations, accidents and shoplifting. Throughout the year, we have been reminding staff of the importance of reporting, as this ensures that our view of store security is as realistic as possible. In early 2019, we revised our safety induction training and safety at work manual. Our online training for threatening situations was also updated.

**COLLECTIVE AGREEMENTS AND COOPERATION: PERSONNEL REPRESENTATIVES ACTIVELY INVOLVED IN DEVELOPMENT**

Alko adheres to two collective agreements: The collective agreement for store personnel signed by the ALV Union and Service Sector Employers PALTA, and the collective agreement for salaried personnel signed by Alkoholialan Toimihenkilöry and Service Sector Employers PALTA. These collective agreements apply to all Alko employment contracts. Both collective agreements were in force until 31 January 2020, and negotiations for their renewal were held around the turn of the year 2019–2020. The goal is to further simplify and clarify these collective agreements, and also to agree on amendments that will support both our employee experience and our business’s requirements for flexibility.

The shop steward system lies at the heart of Alko’s cooperation with personnel and is based on the shop steward agreements appended to the collective agreements. It is characterised by open and continual dialogue between the employer and employee representatives. A culture of cooperation means that personnel representatives are actively involved in the company’s development. This has enabled us to successfully implement many important business reforms as well as mobilise new operating models within the store network, not only during the last year but over the past few years. We believe that open and inclusive cooperation will pave the way for our continued success in the future.

**A TYPICAL ALKO EMPLOYEE**



**PERSONNEL STRUCTURE**

**Changes in the number of employees**

There were no major changes in the number of employees during 2019. Alko employed an average of 2,466 (2,452) people during 2019, representing a rise of 0.6% on 2018. The number of Alko employees varies considerably during the course of the year, as Alko’s customer numbers fluctuate greatly both during peak seasons and outside them. Alko hires a lot of store staff on fixed-term contracts in the summer and over Christmas. This maintains a high level of customer service as customer numbers rise during peak seasons, and also safeguards undisturbed and uninterrupted annual vacation periods for our permanent staff during the holiday season. In 2019, Alko made even greater investments in pre-emptive HR planning and more accurate HR resourcing. We seek to keep the number of seasonal employees at an optimal level (considering the aforementioned factors), so that hiring seasonal staff does not reduce the number of hours available to permanent part-time staff.



Full-time, part-time, permanent and fixed-term contracts

During 2019, an average of 31% of all Alko employees had full-time contracts and 69% had part-time contracts. For staff employed in the store network, 25% were on full-time contracts and 75% on part-time contracts. Almost all experts at head of-office are employed on a full-time basis. Alko’s business is both highly seasonal and largely weighted towards the end of the week. The majority of store staff therefore work part time, giving us the flexibility to both meet customer requirements and maintain appropriate and adequate human resources.

In 2019, an average of 91% of Alko employees were on permanent contracts and 9% were on fixed-term contracts.

PERSONNEL IN FIGURES

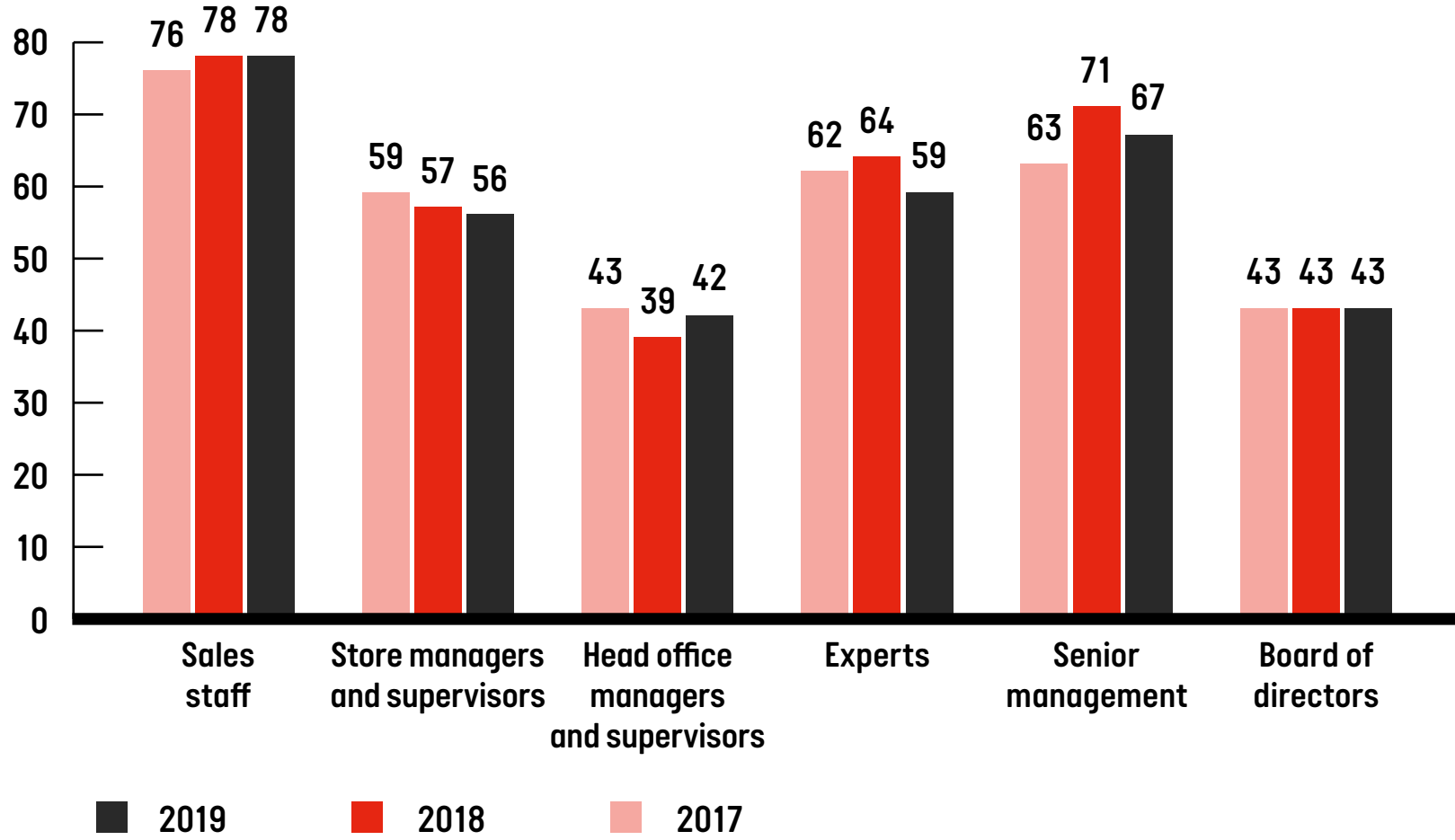
	2017	2018	2019
Personnel Motivation Index	4.08	3.99	3,91
Voluntary turnover	12.7%	16.6%	18.1%
Total absences due to sickness	4.61%	4.68%	5.12%
Accidents at work	130	108	122
Retirement age (retirement pensions)	60.7	61.6	60.8
No. of personnel/No. of supervisors (stores)			
- all	17.5	18.8	16.1
- permanent	12.8	15.3	14.1
Person work years	1,870	1,924	1,898
No. of permanent contracts at year-end	2,037	2,216	2,250
Average number of employees with permanent contracts during the year	2,401	2,452	2,466
Average number of employees with fixed-term contracts during the year	757	740	216

Duration of employment and turnover

Alko’s traditionally long-term employment contracts are an indication of the high level of employee loyalty. The average length of employment contracts in 2019 was 8.4 years – 10.2 for men and 7.8 for women. The average retirement age was 60.8 years.

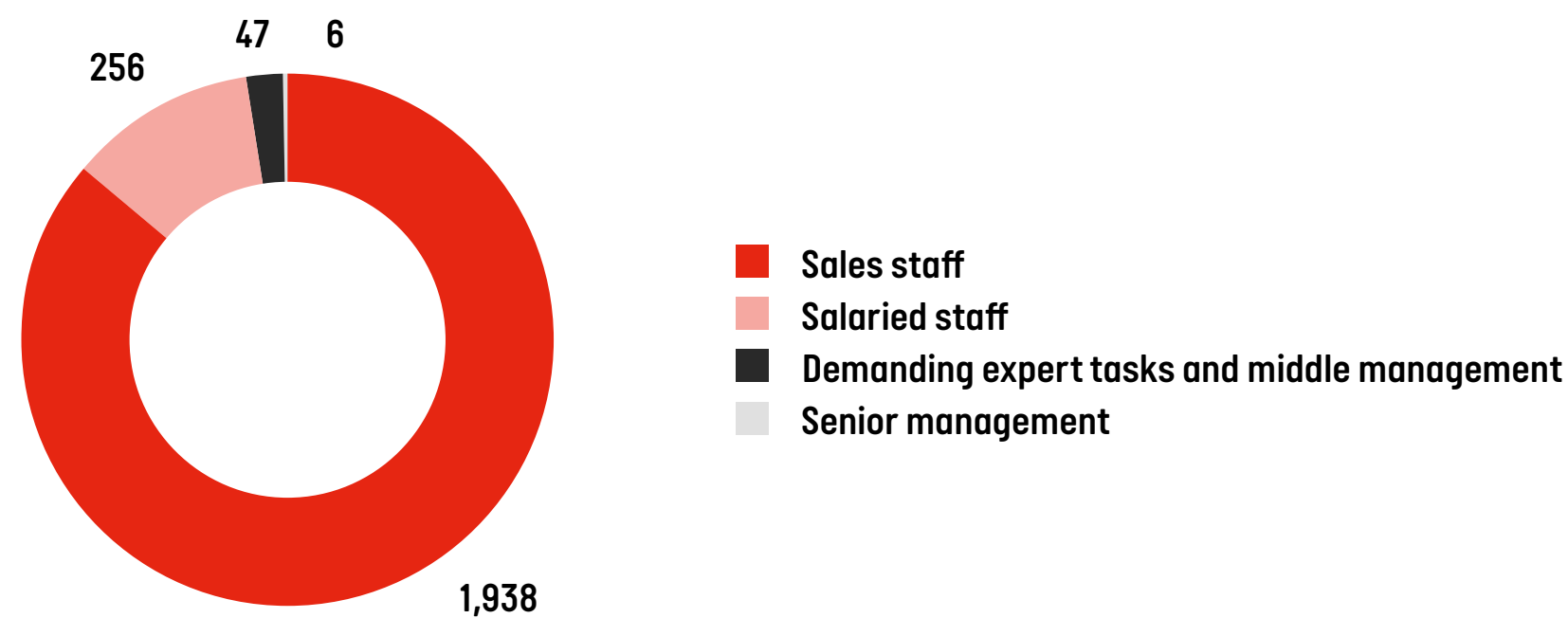
Personnel turnover continued to rise slightly on the previous year: voluntary departures stood at 18.1% compared to 16.6% a year earlier. We believe that the generally stable social and economic situation and lively external job market contributed to this growth in turnover. Due to employees’ relatively long employment contracts with Alko, we had not previously identified a need for exit interviews. However, after the upswing in personnel turnover in 2018, an anonymous online exit survey was introduced for all employees who resign. This practice was continued in 2019. This will help us to identify the root causes and areas in need of development, so that we can curb this rising trend in personnel turnover.

PROPORTION OF WOMEN BY TYPE OF POSITION, %

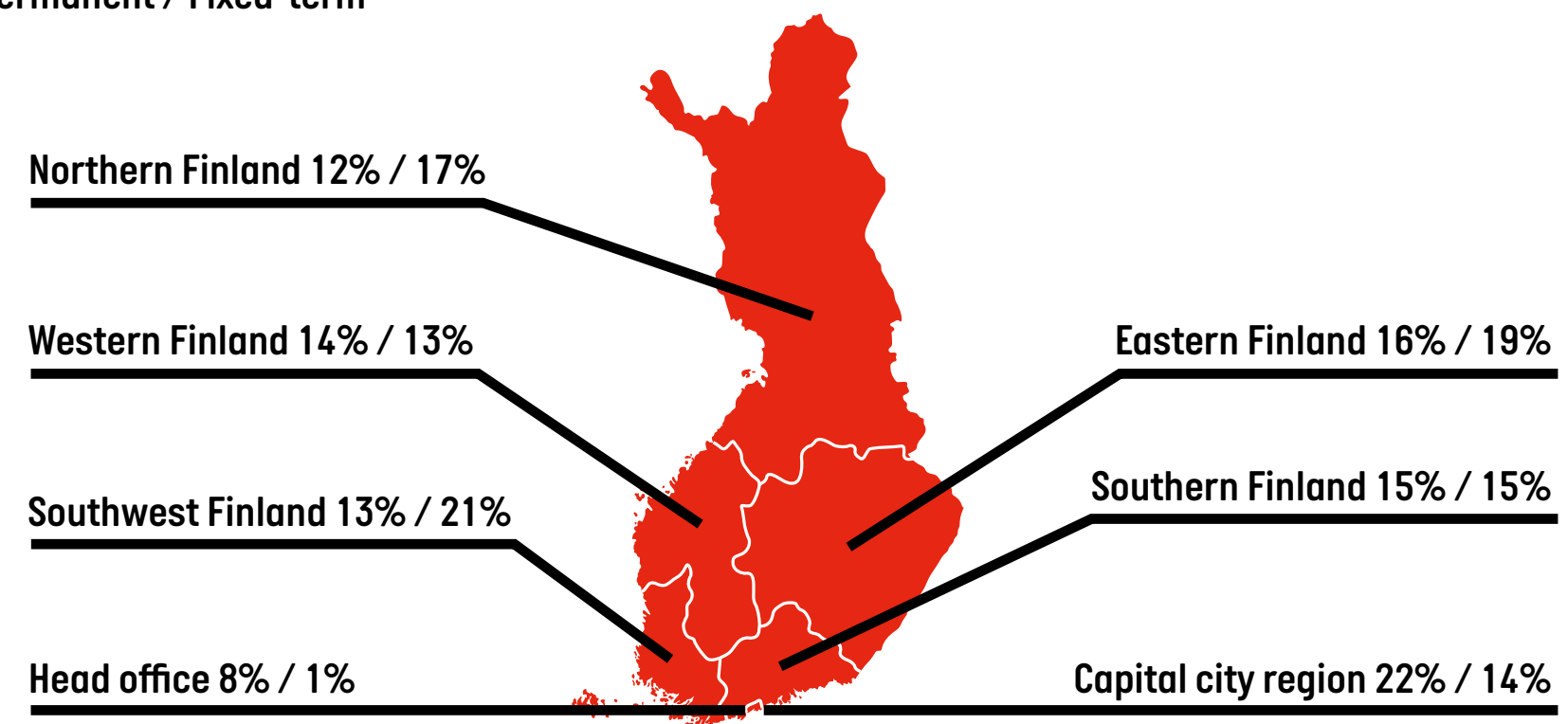




NO. OF ALKO PERSONNEL BY PERSONNEL GROUP,  
PERMANENT CONTRACTS



ALKO STAFF BY AREA  
Permanent / Fixed-term



Gender and age breakdowns

In 2019, 76% of Alko staff were women and 24% were men. The relative proportions of men and women have remained very stable in recent years, not only at company level but also within personnel groups. About four fifths of all store staff are women. Well over half of all store group managers and head office experts are women. The percentage of women in senior management stood at 67% in 2019. In 2019, male employees had an average age of 37.8 years and women 37.5 years. Women are in a majority in all age groups.

The age breakdown of Alko personnel has also remained relatively stable and unchanged in all personnel groups for many years. The age breakdown of personnel in 2019 was as follows:

	18–26 years	26–35 years	36–45 years	46–55 years	55– years
Regional offices	4.8%	4.8%	19.0%	52.4%	19.0%
Stores	20.6%	25.5%	21.5%	20.7%	11.6%
Head office	1.3%	24.7%	41.8%	25.3%	7.0%
Total	19.1%	25.3%	22.9%	21.3%	11.4%

REMUNERATION IS BASED ON THE ACHIEVEMENT OF  
STRATEGIC OBJECTIVES

Alko provides its employees with a diverse remuneration package that consists of both monetary compensation and other benefits. Monetary compensation mainly consists of a basic salary plus a strategy incentive scheme that covers all personnel. Personnel receive incentives for achieving the key objectives in Alko’s strategy. Additional benefits include flexible working hours and other ways of maintaining a good work-life balance, good career and development opportunities, and a variety of employee benefits such as comprehensive occupational healthcare that exceeds statutory requirements and support for wellbeing at work.



Basic salaries for store staff are determined in accordance with the salary tables contained in the applicable collective agreement. The remuneration system for store staff is skill-based, and we compensate staff for both demonstrable expertise and competence development. The competence assessment process is an integral part of the remuneration system, and every salesperson's competence is assessed annually. We will continue to develop our remuneration system with personnel representatives in 2020. Our goals include streamlining the competence assessment process and ensuring that our remuneration system remains cost-competitive and provides the right incentives with regard to both our business and employee experience.

Basic salaries for employees in expert and managerial positions are determined on the basis of position-specific competence requirements, actual competence and performance. The HAY System's classifications and contractual salary grades are applied to office staff. The HAY System is based on a process created by the Hay Group (now Korn Ferry) and is one of the world's most popular pay grade systems.

The classification factors are divided into know-how, accountability and problem-solving. Store group managers are covered by a contractual salary system in which their minimum salary is determined on the basis of the store group's net sales and customer numbers.

The strategic incentive scheme seeks to encourage and steer all personnel towards putting Alko's strategic objectives in practice, that is: World-class service, Responsible enjoyment, Success through enthusiasm, Agile and efficient. On the basis of a proposal by the Personnel Committee, Alko's Board of Directors makes an annual decision on the performance targets and principles to be applied to incentives for personnel and management. The Board approves the remuneration to be paid on an annual basis. Incentives for 2019 totalled a maximum of 6–16 per cent of annual salary, depending on the recipient's job description.

Based on the Personnel Committee's proposal, the Board of Directors decides on remuneration for the President & CEO and the Management Team. Management's remuneration complies with the decision in principle on State ownership that was issued by the Ministerial Committee on Economic Policy on 13 May 2016. The management incentive scheme is based on the company's strategic objectives and the indicators for evaluating their attainment. Management incentives for 2019 totalled a maximum of 60 per cent of annual salary.

## Where are we headed?

We continued working towards our goals, that is, 'an inspiring and motivating workplace' and 'the most attractive employer in the service sector'. In 2020, we will be focusing on strengthening our workplace community and corporate culture, and supporting enthusiasm for everyday work. We want to further strengthen cooperation between head office and our store network by forging a deeper understanding of our common objectives and thinking up new ways of working together and streamlining tasks.

We will be taking concrete action to promote diversity, and intend to make diversity and inclusion a more integral part of our approach.

In 2020, we will be introducing a new resourcing model that will cover our entire store network and improve in-store workflows. The idea is to reduce the amount of time that store managers spend on administrative tasks, thereby freeing them up for HR and service management. In the future, we will be able to engage in more consistent shift planning, and make a quick and simultaneous response to changes in our business.

We will also be introducing a new shift planning system as part of our new resourcing model. The system will enable us to automate planning and optimise shifts whenever customers flows or other store work so requires. Shift planning will also be able to pay greater attention to issues relating to personnel wellbeing and coping at work.

We will continue to invest in competence development. We will be acquiring new learning methods and tools, as well as new and alternative ways of implementing our service, product and safety training. We want to lead the way in competence development and the learning experience. We have revised our personnel survey to better measure our personnel's enthusiasm, mood and pulse, and to better support our business indicators.

When it comes to personnel wellbeing, we will continue to develop our working capacity management skills, update our early support model and anti-substance abuse model, and strengthen supervisors' early care skills. We will be making even more considerable investments in the wellbeing of our workplace communities, and will be conducting a health survey in collaboration with occupational healthcare. We will then use the results to create individualised training paths to support working capacity. During the year, we will be placing a particular focus on mental wellbeing, which we believe will support opportunities for motivation and success at work.





**Marjo Pelkonen**  
*Category Manager, Strong  
Alcoholic Beverages*

Marjo heads up the strong alcoholic beverage category. Strong alcoholic beverages are acquired from a broad variety of different countries of origin. Sustainability is promoted in collaboration with suppliers.

# HUMAN AND LABOUR RIGHTS IN BEVERAGE PRODUCTION

Supply chain transparency is entering a new era. Customers are requiring even more detailed information about products to support their purchase decisions.

## Why is this important to us?

We conduct annual customer surveys so as to better understand our customers' wishes, needs, and purchasing behaviour. In spring 2019, we analysed Alko customers' interest in ethically produced products. Fair Trade, Fair for Life and For Life are the ethical certificates that are visible in Alko's customer communications. The survey results indicate that customers are becoming increasingly interested in these products, and 61% of all respondents said they were either very or somewhat interested in ethically produced products (Alko's selection satisfaction survey, Dagmar Drive, January 2019). Promoting transparency and ethical practices in the beverage supply chain are an integral part of Alko's responsibility efforts – and will continue to be in the future.

Our goal is to provide consumers with the best possible service by providing accurate information about parties in the supply chain and the origin of ingredients. In 2019, Alko launched a project to improve supply chain data by gradually introducing a new system, starting in late 2020. This tool will help us make our supply chain more transparent to customers, as we will be better able to analyse parties in the chain. The system will provide us with more in-depth product information and more reliable data about the various parties involved in the supply chain. The tool will also support and boost the efficiency of Alko's responsibility efforts by improving data analysis and replacing existing manual processes. Our goal is for this increased transparency to benefit not only consumers, but also suppliers, producers and other parties in the supply chain.



**Alko wants to ensure that beverage suppliers work to minimise human rights risks.**

**ALKO'S SUPPLY CHAIN IS INTERNATIONAL AND MULTI-TIERED**

Alko's standard selection consisted of about 9,500 products in 2019. Alko does not have its own production or bottling facilities. All of the products we sell are purchased from Finnish or foreign suppliers, of which we had 651 in total. In 2019, we sold products from 77 countries of origin, 35 of which were high-risk countries.

Alko's goal is to make the invisible visible. This means promoting the human rights, labour rights and working conditions of the people working in our supply chain. If and when any deficiencies arise, we actively cooperate with our suppliers to resolve them. Alko's responsible procurement model has been based on amfori's Code of Conduct since 2011, and it has been mobilised at all stages of our supply chain, all the way down to primary production. The acceptance of, compliance with and promotion of these ethical principles are part of [Alko's contractual terms and conditions](#).

Alko's responsible procurement is based on efficient and systematic data collection, competence development for our partners, and proactive stakeholder cooperation. For us, it is vital to ensure that beverage suppliers take adequate measures to minimise human rights risks. In addition to our beverage suppliers, discussion with other stakeholders also plays an important role. We regularly meet with civic organisations, employee organisations, responsibility organisations, producer associations, producer representatives, and other Nordic alcohol monopolies.

We enhance the responsibility of our supply chain in accordance with the policies of our responsible procurement strategy, which is itself part of Alko's responsibility programme. One of the programme's goals is to generate added value for both Alko's stakeholders and customers with the aid of responsible operating methods. Our responsibility programme is based on Alko's four strategic areas [one of which is Responsibility](#).



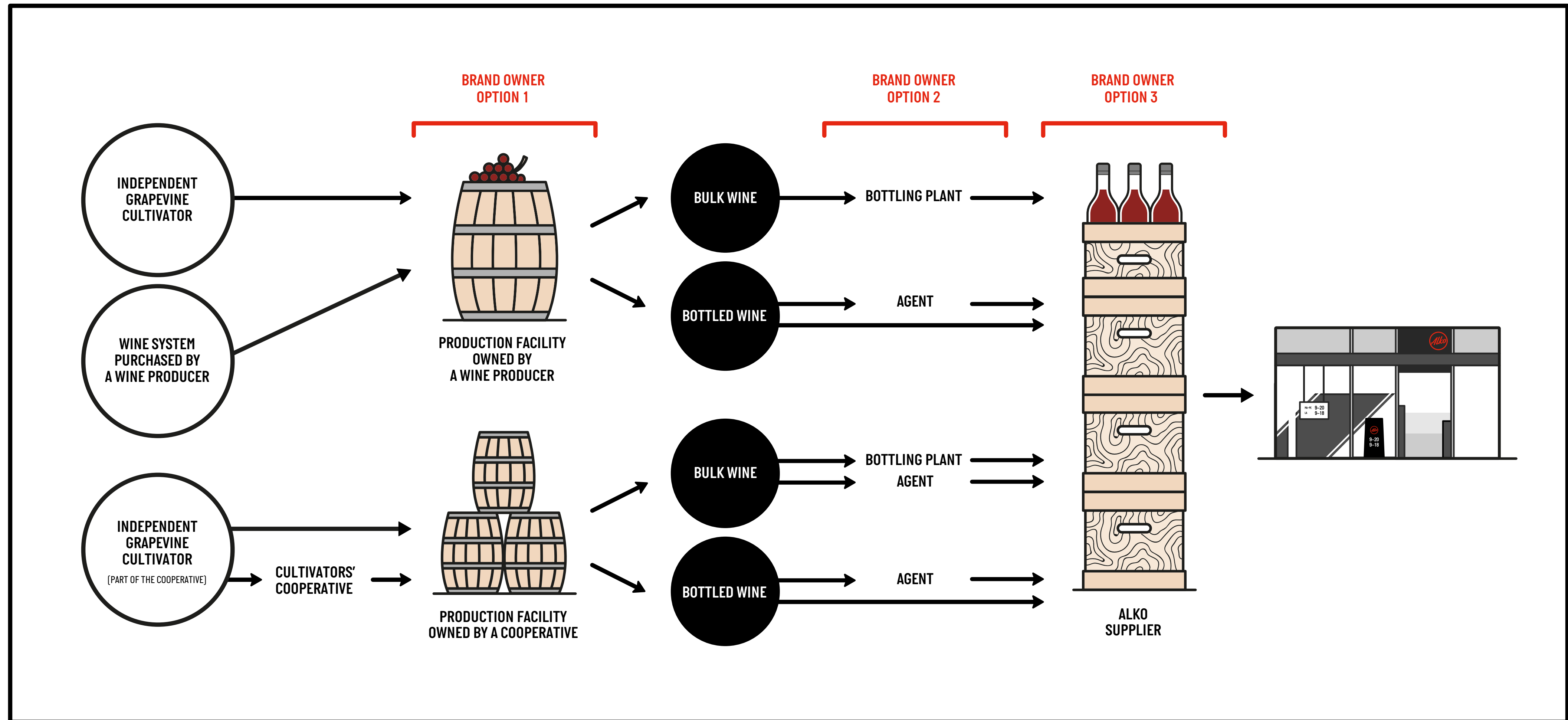
**How does my work help to ensure responsibility in the supply chain?**

Safeguarding human and labour rights in the supply chain is becoming increasingly important, as climate change is making production conditions even more challenging and unpredictable all across the globe. For some consumers, ethics and environmental responsibility will be critical criteria when choosing products. This change may happen faster than we currently imagine. It's important that all parties in the supply chain understand the way things are going. To ensure this, responsibility is an important element of every discussion we have with our suppliers. Although we are far from primary production, we can influence responsibility in the supply chain through discussion, sharing information and making continuous improvements.

[Read more](#) ▶



# WINE ROUTES IN THE SUPPLY CHAIN





Individual parties in risk countries have limited influence, which is why we invest in cooperation with others working in the same supply chains.

# What have we done?

## TOOLS TO AID RISK MANAGEMENT

Tools, certification and various lists of high-risk countries help Alko to prevent human rights violations in the supply chain. To identify high-risk areas, Alko uses amfori BSCI's list of risk countries, which is based on the World Bank's Worldwide Governance indicators. In 2019, we introduced a new tool to supplement international risk management. It provides more detailed and geographically accurate data about the political, social and environmental risks in different areas. We also actively follow international debate and listen to our stakeholders both in Finland and abroad.

## WORKING TOGETHER FOR HUMAN AND LABOUR RIGHTS

Cooperation with suppliers is one of the cornerstones of our responsibility efforts in the supply chain. Alko organised four events for goods suppliers in 2019, and these included 11 workshops and training sessions. Three had responsibility-related themes: the Sustainability Visit model, amfori BSCI training, and customer communications about transparency in the supply chain. A total of 81 suppliers and/or producer representatives registered for our responsibility workshops and training sessions. All in all, supplier events organised by Alko attracted a total of 495 participations over the course of the year.

The sustainability working group, which forms part of the cooperation between Alko and the Association of Alcoholic Beverage Suppliers in Finland (SAJK), held five meetings with responsibility-related themes during 2019. At these meetings, participants discuss and develop responsible procurement within the beverage industry. This model will continue in 2020.

The Nordic alcohol monopolies also work closely together in this area. Themes relating to human rights, labour rights and working conditions were discussed by the Social Group, a working group with members from the alcohol monopolies of Finland, Sweden, Norway, Iceland and the Faroe Islands. The Social Group meets regularly to implement an annual action plan that is jointly approved by the CEOs.



## COMPETENCE DEVELOPMENT IN THE SUPPLY CHAIN REQUIRES CONTINUAL WORK

As in previous years, Alko continued training to develop competence in several product countries of origin. We primarily organise training in cooperation with other parties. We are involved in the Stronger Together initiative, which organises training for wine and fruit producers in South Africa in order to reduce modern slavery. Alko and the other Nordic monopolies also cooperate with amfori to arrange face-to-face and online training in South Africa, Chile and Argentina. Our 2019 training was targeted at both producers and vineyards. This training covered topics such as management practices, occupational health and safety, and responsible recruitment. Alko also stepped up its training and monitoring of working conditions in Southern Europe, which has attracted large flows of migrants from Africa and the Middle East in recent years, and where human rights violations in agricultural primary production have been reported.



MONITORING THE IMPLEMENTATION OF ETHICAL PRINCIPLES IN THE SUPPLY CHAIN

In 2019, Alko commissioned seven audits in South Africa, Chile and Argentina. The audits covered seven production facilities and eight vineyards. They were performed by a local amfori-accredited third party in the country in question. These audits encompass a total of 13 areas relating to management practices, working conditions and environmental protection at production facilities and vineyards. The goal is to check that amfori BSCI's principles are being effectively implemented, and also to identify any deficiencies in a producer's processes. The audit covers both the production facility and a sample of vineyards, as a single product may source ingredients from several vineyards. The producer receives a report on the audit and, if any deficiencies are detected, the producer must submit a report on their corrective measures within three months of the audit. If the total score for an audit is below level C (3 in the table), a follow-up audit will be conducted within at least a year of the first audit. If the total score is C or higher (3, 4 or 5 in the table), the audit result will be valid for the next two years.

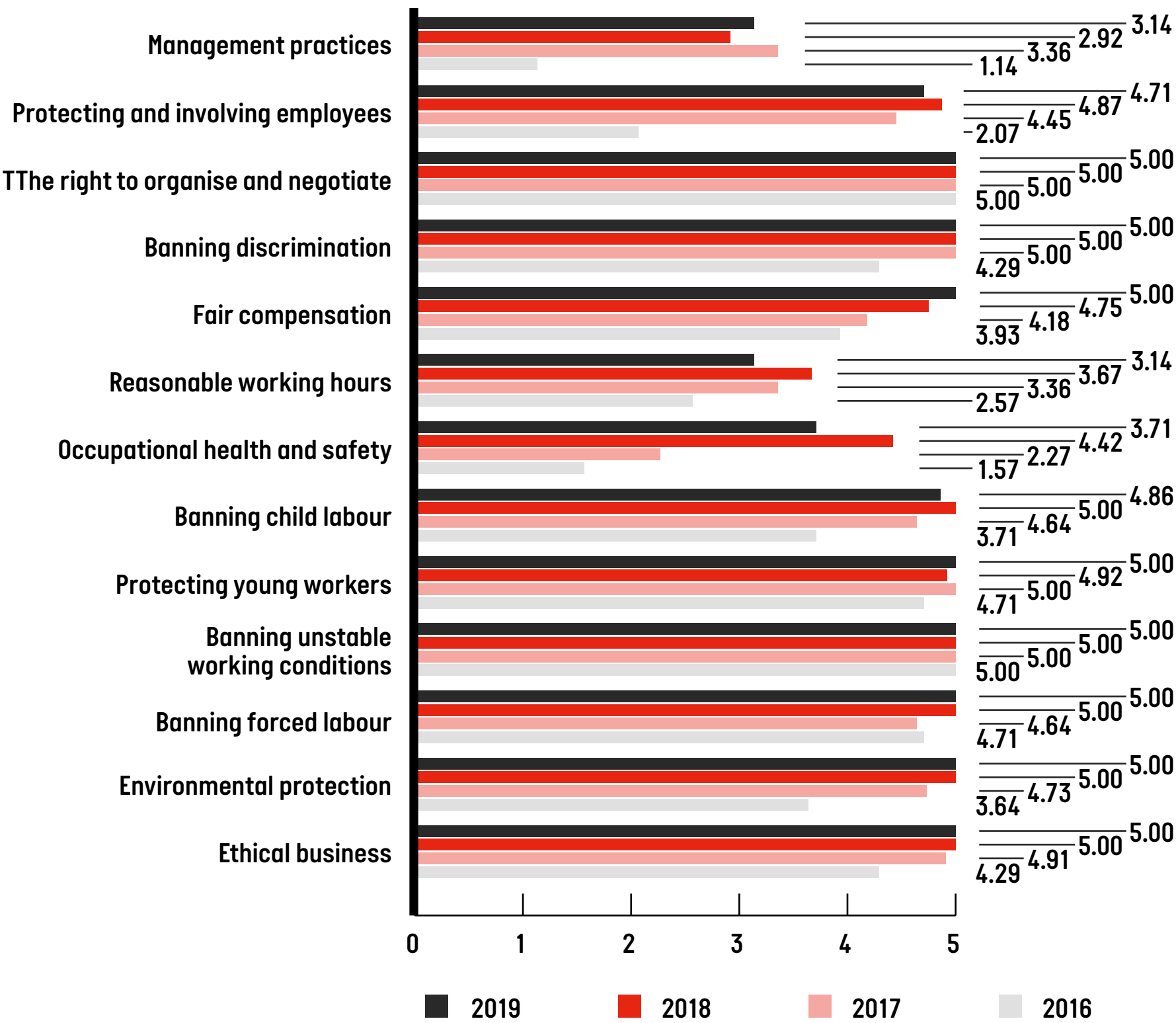
The table shows a summary of the results of audits carried out in 2016–2019. In 2019, the most deficiencies were detected in the following areas: PA1 Social Management System and Cascade Effect, PA6 Decent Working Hours and PA7 Occupational Health and Safety. No Zero Tolerance Cases were detected in Alko's supply chain in 2019. Our 2020 audits will continue in high-risk countries, but will focus on Europe and its surrounding areas.

SUSTAINABILITY VISITS IN SOUTHERN SPAIN PROVIDE AN OVERVIEW OF OPERATING METHODS

Alko tested a new supervisory measure in 2019: sustainability visits, which seek to provide more information about wine producers' responsibility measures and their implementation in production in selected areas. They also help to analyse local development requirements on a broader scale, enabling us to better plan future responsibility measures. Visits were made to five wine producers in Southern Spain. Large flows of migrants have headed to Southern Europe in recent years, and a variety of human rights violations in the production of agricultural products have made the news in both Finnish and international media.

Sustainability visits are a new model developed by Alko. Like audits, the sustainability visits were carried out by a third party selected through competitive tendering.

DEFICIENCIES DETECTED DURING AMFORI BSCI AUDITS



The results of the amfori BSCI audits are shown as letters (A–E) and Zero tolerance, where A is the best and Zero is the worst result. When calculating averages, the letters have been converted into numbers as follows: A=5, B=4, C=3, D=2, E=1, Zero tolerance = 0.





Producer assessments are performed during these visits based on observations, interviews and inspections of documentation. These visits are less rigorous than amfori audits. The advantages of this model include quick data acquisition, light bureaucracy, and low costs. Each producer received their own report on the visit, including suggestions for potential development measures. A regional summary report was also produced. Although things were generally at a good level, the report shows some deficiencies in management practices and operating models. At harvest time, the overtime worked in many production facilities exceeded the legal limit, and deficiencies in occupational health and safety were common. Targeted measures can be planned for the area on the basis of the final report, such as training.

Our goal is to continue making similar sustainability visits over the coming years alongside amfori audits. Our sustainability visits in 2020 will continue to focus on Southern Europe.

## HUMAN RIGHTS CHALLENGES IN SUGARCANE PRODUCTION

The human rights issues relating to sugarcane production have long been a focus of Nordic cooperation. Sugarcane is an important source of molasses, which is one of the ingredients used in rum production. In 2019, Alko commissioned a third-party study of the responsibility risks associated with sugarcane and its impact on the rum production supply chain in Latin America and the Caribbean. One key observation arising from the study was that the origin of molasses used in rum is difficult to trace. The study also provided additional information about different types of supply chains and country-specific data on social risks in the region. According to the study, child and forced labour is used in several countries in Latin America, which is an extremely serious risk from a human rights perspective. Additionally, there are often serious occupational health and safety risks associated with sugarcane production. In conclusion, the report gave suggestions on how Alko could seek to minimise responsibility risks in the supply chain in accordance with the principle of due diligence.

The report was presented at a rum supply chain event for stakeholders that was held in September 2019. Alko and the other Nordic alcohol monopolies organised this joint seminar, which focused on ethical issues in sugarcane cultivation as part of the rum supply chain. The seminar attracted more than 100 participants consisting of goods suppliers, beverage producers and representatives of the rum production chain. At the event, experts spoke about production conditions on sugarcane plantations, occupational kidney disease, and the certification of production and the benefits of certification.

The event sought to promote the dissemination of information about human rights issues in molasses production as part of the rum supply chain, and to firm up cooperation to solve the problems. We received plenty of positive feedback from the event and hope to arrange more stakeholder seminars on similar responsibility topics in the future.

We will continue our efforts to reduce risks in the rum supply chain. Our Nordic cooperation will also continue, and Alko is planning self-assessments aimed at producers in the rum supply chain. We will also look into opportunities for cooperation with stakeholders and organisations in Latin America.

**The aim of this cooperation is to prevent the realisation of identified human and labour rights risks in the beverage supply chain and to ensure that identified deficiencies are resolved.**



**EVEN CLOSER COOPERATION WITH INTERNATIONAL  
EMPLOYEE ORGANISATIONS**

Over the past two years, Alko has been engaging in negotiations to launch cooperation with the International Union of Food, Agricultural, Restaurant, Catering, Tobacco and Allied Workers (IUF). The primary catalyst for creating this cooperation model has been human rights violations against people working in the South African wine industry. Cooperation with local employee organisations is already part of our stakeholder collaboration, but we are now taking a more systematic approach. Alko, Service Union PAM and IUF signed a Memorandum of Understanding. The aim of this cooperation is to prevent the realisation of identified human and labour rights risks in the beverage supply chain and to ensure that identified deficiencies are resolved. Practical cooperation will begin in 2020.

**Responsible procurement requires cooperation**

Our annual responsible procurement planning complies with Alko’s [responsibility management model](#). The model for responsible procurement is being developed by category managers, procurement specialists and responsibility experts. Open and proactive dialogue with stakeholders is naturally an integral aspect of this development work.

**Where are we headed?**

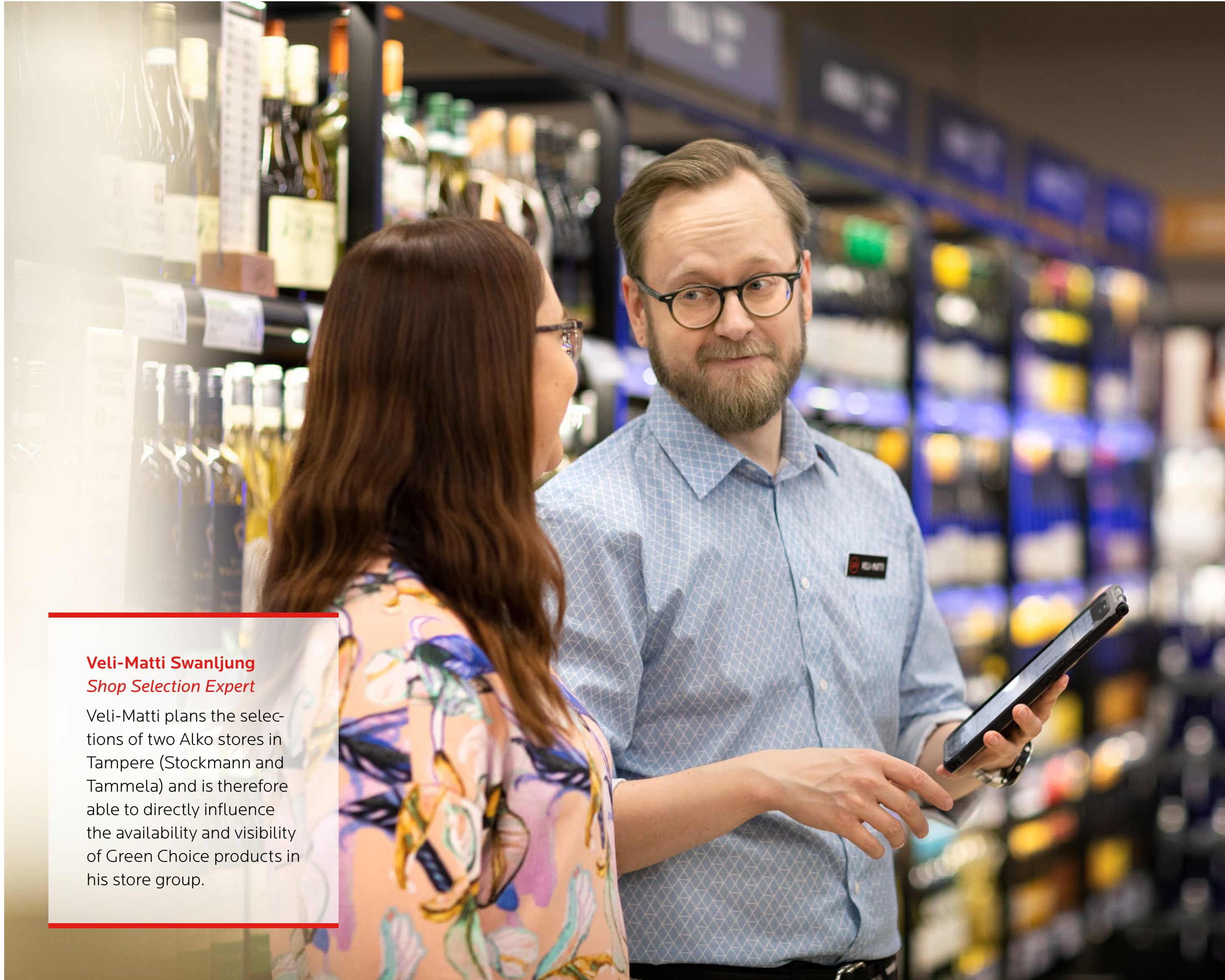
Alko seeks to be a pioneer in responsibility. Achieving this will require success in responsible procurement, and particularly in improving transparency in the supply chain. In order for us to be able to influence conditions in primary production, we need more up-to-date information about producers and the subcontractors who provide them with ingredients. In 2020, we will be working towards providing our customers with more open background information about our beverages.

Issues relating to human rights and working conditions often stem from a country’s history and social structures, which means there are no shortcuts to improvements. There is a lot of work to do and progress is slow. Individual parties have few resources, so it makes sense to invest in collaboration with others operating in the same supply chains and facing similar challenges.



The three focal areas of Nordic cooperation in 2020 will be water and human rights, follow-up procedures relating to the rum supply chain, and a Living Wage. We are also involved in amfori’s Sustainable Wine Programme and its further development.





**Veli-Matti Swanljung**  
*Shop Selection Expert*

Veli-Matti plans the selections of two Alko stores in Tampere (Stockmann and Tammela) and is therefore able to directly influence the availability and visibility of Green Choice products in his store group.

## CHOICES FOR THE ENVIRONMENT

Glass bottles are the greatest source of climate emissions in the wine supply chain and a major source of emissions for other products in Alko's selection. That's why we are putting a great deal of effort into increasing the proportion of light-weight packaging.

### Why is this important to us?

**A**lko is committed to curbing climate change by reducing the environmental impact of our operations and the overuse of natural resources. We implement the United Nations' Sustainable Development Goals, to which Finland is committed. Based on the materiality assessment carried out by Alko in 2018, the factors that were extremely significant from an environmental perspective were: sustainable packaging materials, material efficiency and recycling, and the climatic impacts and water consumption of beverage production. Support for responsible purchase decisions was also extremely important for our stakeholders.

Our environmental efforts seek to reduce the climate impacts of beverage packaging in Alko's selection, and to encourage beverage producers in the supply chain to minimise energy consumption, emissions and water consumption. We want to help our customers make more responsible choices.

The climate impacts of our own operations are caused by electrical and thermal energy consumption at Alko's stores and head office, and by goods transport within Finland. We have very similar **environmental impacts** as the retail trade in general.

Our customers are increasingly interested in the environmental aspects of products, and our goal is to meet even our more demanding customers' expectations in this area.



**The most significant climate impacts of wine production are caused by the manufacture of beverage packaging. The lighter and more recyclable the packaging, the smaller its climatic loading.**

The climate crisis is making consumers consider sustainable choices. It is now commonplace for consumers to be aware of their own carbon footprint, and many people are paying attention to the environmental impacts of consumption and are expecting similar responsibility and transparency from companies as well.

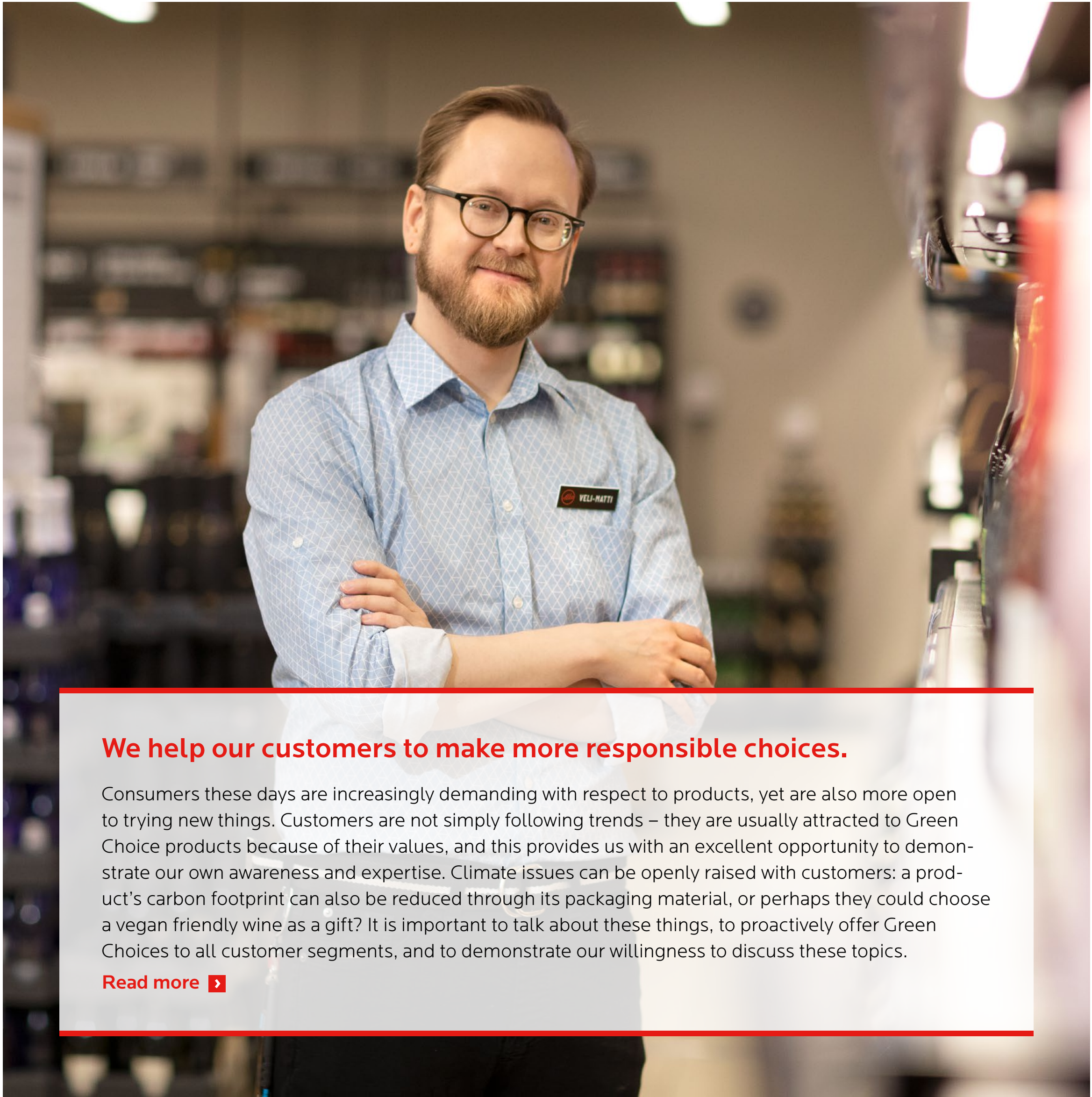
The most significant climate impacts of wine production are caused by the manufacture of beverage packaging, and in particular glass bottles. Packaging accounts for about a third of the climate impacts of wine – and more than 40 per cent without recycling. The lighter and more recyclable the packaging, the smaller its climate impact. Unlike in the case of food products in general, a wine package places a greater burden on the climate than the beverage itself.

Consumers are increasingly demanding both lightweight and environmentally friendly packaging. Ecological thinking is also becoming more prevalent among wine producers and marketers.

## What have we done?

One of the themes of Alko’s environmental communications to both customers and suppliers has been the impact that lightweight packaging has on climate emissions. One of our customer service objectives is to help customers make responsible choices. You can choose wine that is in the best interests of the environment: wine can be organic, it can have a sustainable development certificate, or it may come in a plastic bottle, which is more climate-friendly than a glass bottle. Plastic’s negative image is the main obstacle to plastic bottles becoming more commonplace. The packaging material will not lower the quality of the wine, and a plastic bottle is a good option for wines that are intended for consumption relatively soon rather than for ageing. In 2019, Alko’s selection contained about 360 products in plastic bottles, about 70 of which were wines. Examples of other climate-friendly packaging include cartons and wine bags, as they are lightweight and have a small carbon footprint.

Alko actively communicates information about different packaging materials and their carbon footprints, in an effort to change the ingrained perception that a glass bottle is the only good option. To make it as easy as possible for our customers to make responsible choices, our Green Choice labels indicate a beverage producer’s



### We help our customers to make more responsible choices.

Consumers these days are increasingly demanding with respect to products, yet are also more open to trying new things. Customers are not simply following trends – they are usually attracted to Green Choice products because of their values, and this provides us with an excellent opportunity to demonstrate our own awareness and expertise. Climate issues can be openly raised with customers: a product’s carbon footprint can also be reduced through its packaging material, or perhaps they could choose a vegan friendly wine as a gift? It is important to talk about these things, to proactively offer Green Choices to all customer segments, and to demonstrate our willingness to discuss these topics.

[Read more](#) ▶



On the basis of the average emissions calculated by Gaia Consulting, the CO<sub>2</sub>e emissions caused by wine packages in Alko's selection decreased by two per cent on the previous year, from 391 tons to 383 tons per million litres of beverages sold.

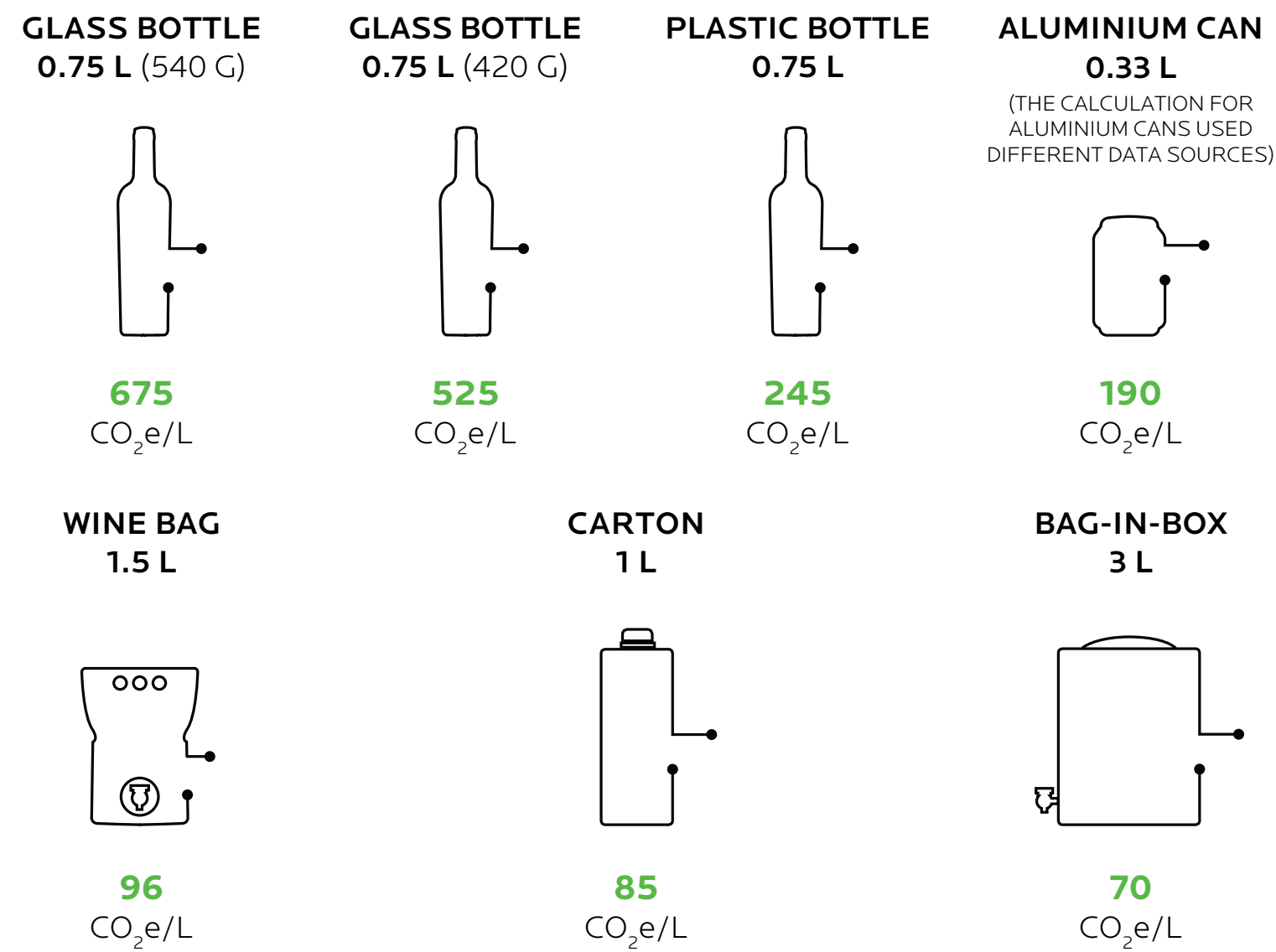
commitment to environmental efforts and sustainable development. Our Green Choice label for packaging was extended to cover sparkling wines in lightweight glass bottles and environmentally certified packaging.

In 2019, Alko sold 113.8 million beverage packages (2018: 124.2; 2017: 137.3; 2016: 137.8 million) of various kinds.

Lightweight glass bottles accounted for almost 10 per cent of total wine sales in terms of litres. Sales of wine in plastic bottles remained relatively unchanged, accounting for seven per cent of total sales.

In 2019, we continued our more detailed research into climate impacts with Gaia Consulting Oy's study on the carbon footprint of aluminium packaging. This information can now be used to complete our overall picture of the CO<sub>2</sub>e impacts of dif-

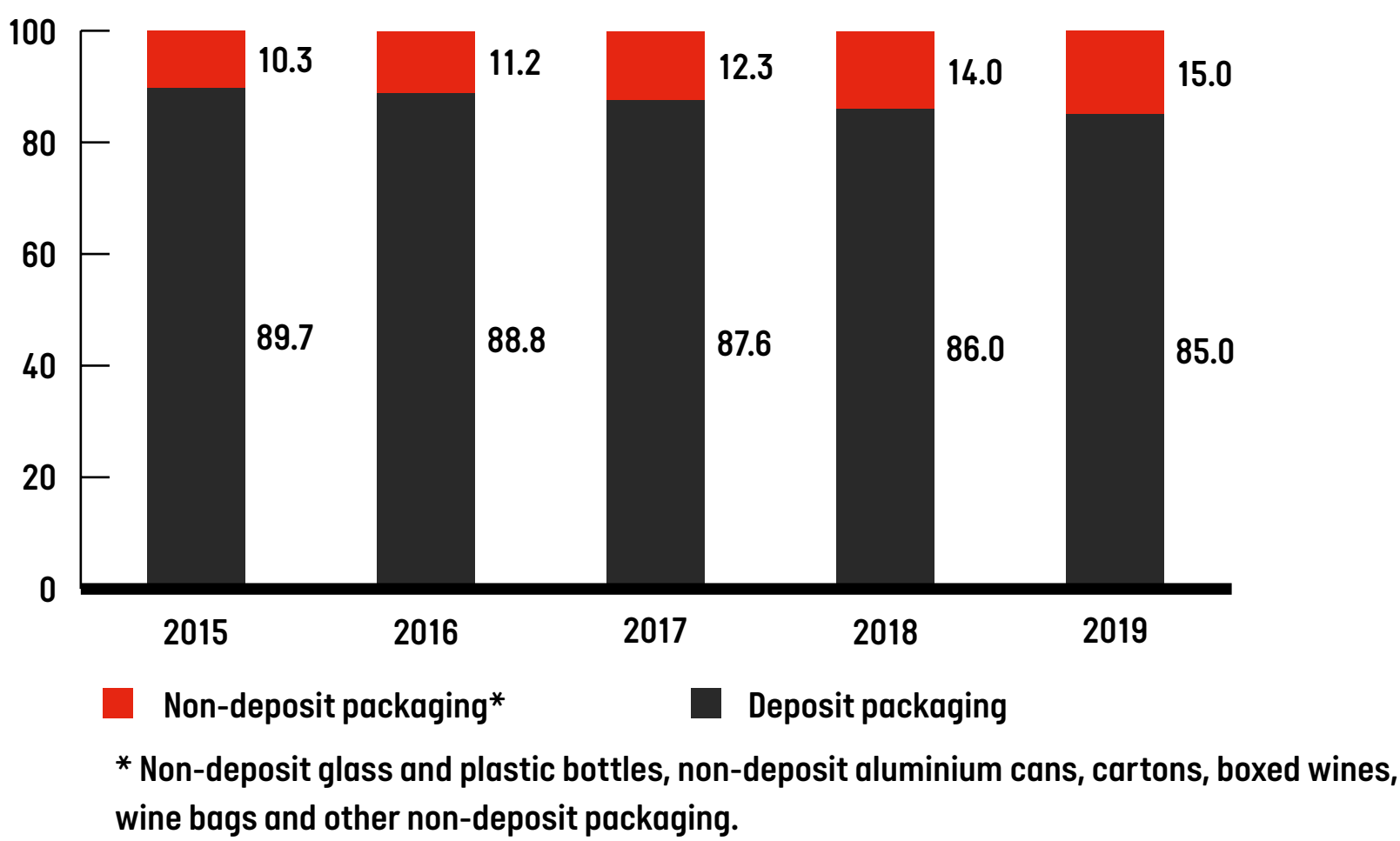
CARBON FOOTPRINTS OF WINE PACKAGING



ferent package types in different product categories. On the basis of the average emissions calculated by Gaia Consulting, the CO<sub>2</sub>e emissions caused by wine packages in Alko's selection decreased by two per cent on the previous year, from 391 tons to 383 tons per million litres.

The deposit-refund system for beverage packaging is an integral and highly effective element in reducing environmental load in all of the Nordic countries. However, the share of deposit packaging of total sales continued its slight downswing in 2019. The challenge with the deposit-refund system is that the proportion of non-deposit packaging is likely to further increase in line with the rise in lightweight packaging, renewable materials and targets to reduce climate impacts.

PROPORTION OF DEPOSIT/NON-DEPOSIT PACKAGES SOLD, %

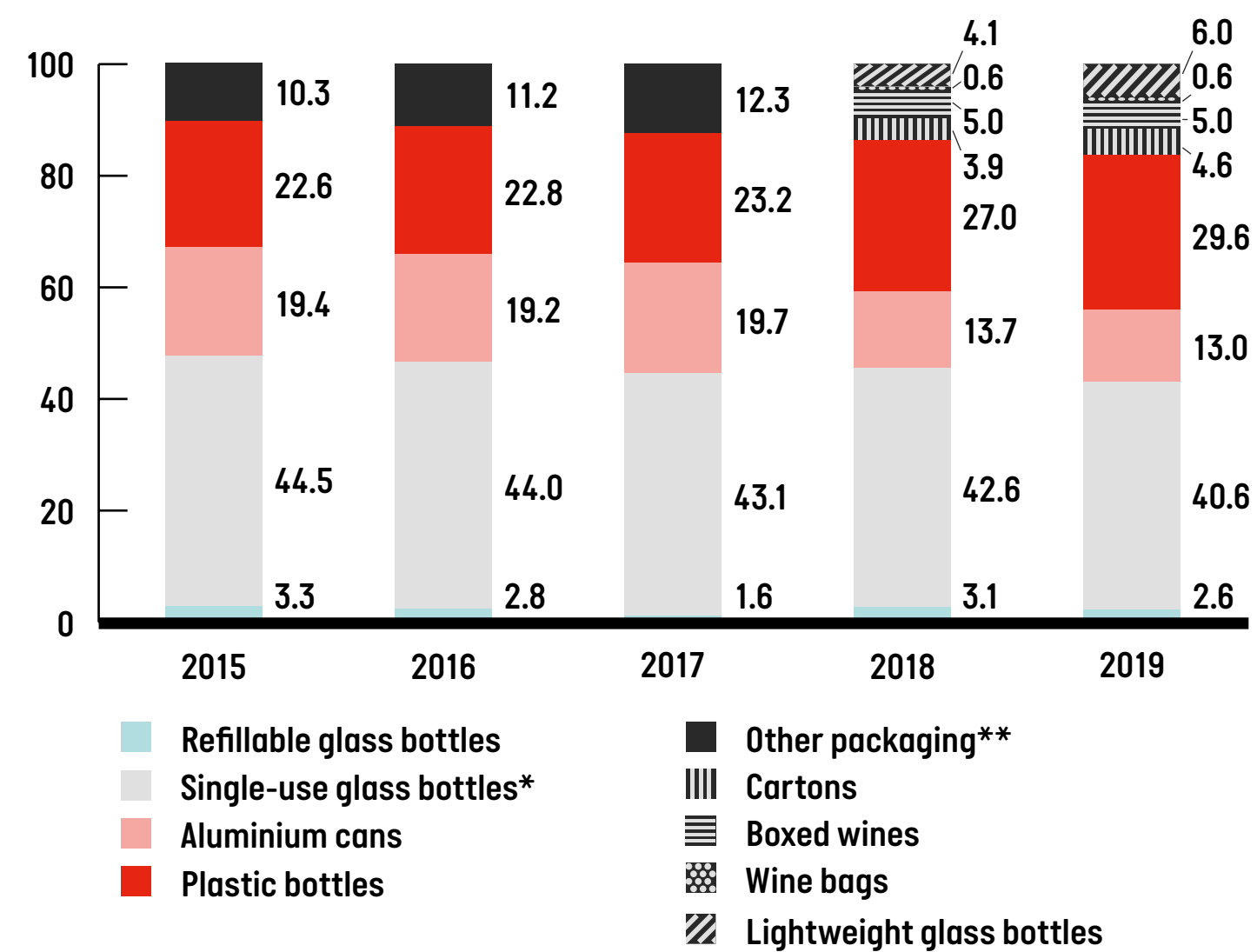




During 2019, Alko doubled the coverage of its recycling area for wine bags and inner bags from boxed wines. These bags are used in the manufacture of cement. The amount of recycled bags rose by 23 per cent during the year, from 10.4 to 12.8 tons.

Our environmental management is steered by the objectives and responsibilities specified in our ISO 14001:2015 certified environmental management system. Our store network's ISO 14001 certificate was renewed in November 2019.

TYPES OF PACKAGES SOLD 2015–2019, %



\* Includes lighter glass bottles, which are reported as their own category since the year 2019

\*\* During 2019 this divides into carton cans, faucet packs, wine bags and other packages

ENVIRONMENTAL RESPONSIBILITY IN THE SUPPLY CHAIN:  
ENERGY AND EMISSIONS THEME IN 2019

Energy consumption and emissions was the theme of collaboration between the Nordic alcohol monopolies – Systembolaget, Vinmonopolet, ÅTVR, Rúsdrekkasölu Landsins and Alko – in 2019. The goal was to determine the general performance of energy consumption among beverage producers and to identify best practices.

In June, the monopolies' environmental working group visited Austria to learn about the sustainable development programme being run by the country's wine producers' organisation. During the visit, they met wine producers and local experts from a local education and research institute of the wine industry. The visit confirmed their view that progressive wine producers are making systematic and effective efforts to combat climate change. These same issues can also be addressed in many other ways.

- For example, the climate impacts of wine production can also be reduced by:
- Solar panels at production facilities to generate renewable electricity
  - Using gravity in production processes (completely or nearly completely removes the need for electric pumps)
  - Green roofs for buildings to regulate temperature
  - Using natural light in production premises
  - Using LED lighting and sensors in production premises
  - Using biogas to produce thermal energy
  - Buying green electricity
  - Using new mould-resistant grape varieties, which significantly reduces the need for spraying pesticides (and thereby also the use of tractor diesel)
  - Lightweight glass bottles
  - Carbon neutrality: accurate reporting and calculation of the volumes and sources of climate emissions throughout the wine cultivation and production process, efforts to reduce emissions and compensation for any remaining emissions.

In the coming years, certificate developers will be able to introduce energy consumption calculations and statistics for the common good of the producer community.



**The greatest individual factor that could reduce the carbon footprint of wine would be to import the wine in tanks instead of bottles and then package it in climate-friendly packaging in Finland.**



Alko asked for more data on energy and emissions using a survey sent to local organisations that issue sustainable development certificates in the wine sector. The number of respondents was lower than expected in this first survey round. The [supply chain tool](#) that we will be introducing in 2020 will enable us to collect data more effectively and compare environmental information about producers in all beverage categories directly from Alko’s supply chain.

Our efforts to make beverage packaging more lightweight will continue to aid the fight against climate change. In order to study the carbon footprint of the wine lifecycle, Alko gave the 2017 country-specific data of wine imported for retail to a research team from the University of Helsinki. The researchers conducted a systemic study of the average carbon footprint of the supply chain for retail-sold wine in Finland. According to this study, the average carbon footprint for a wine’s entire lifecycle is 1.226 kg CO<sub>2</sub>e per 0.75 litres. The greatest individual factor that could reduce the carbon footprint of wine would be to import the wine in tanks instead of bottles and then package it in climate-friendly packaging in Finland. The University published its [study](#) in December 2019.

A rough estimate of the ratios of the various climate impacts of Alko’s business can be derived from the lifecycle study of different beverage categories commissioned by the Nordic alcohol monopolies in 2016. On the basis of this lifecycle study, and weighted by the sales ratios of the various product categories, the supply chain accounts for the greatest proportion of the total climatic loading generated by Alko’s business. The store network and domestic deliveries would then account for 10 per cent of all climate impacts, while primary production, production and imports would account for more than 80 per cent. Packaging would account for slightly less than 30 per cent of this.

**THE ENVIRONMENTAL IMPACTS OF PRODUCT LOGISTICS**

Alko’s import service accounts for a varying percentage of annual sales, but is usually in the range of a few per cent. Import service products are transported from Europe to Finland by truck, while longer distance imports – such as from Asia and South America – are shipped by sea. We have been able to minimise our use of air freight, and only use this option in exceptional circumstances. Emissions from Alko’s import service totalled 357 tons in 2018 and 173 tons in 2019. In the future, we plan to explore ways to utilise rail freight from Asia. In 2020, Alko will be monitoring emissions from import logistics even more closely, thereby enabling us to respond faster to transport emissions.

Related to distribution in Finland, we are engaged in extensive cooperation with our logistics partners. This cooperation seeks to gain a deeper understanding of what causes the emissions in Alko’s delivery chain and what concrete action can be taken to reduce the carbon footprint of domestic transport. This could include alternative energy solutions, physical changes to distribution routes, and emission compensation.

In 2020, Alko will be making considerable changes in its distribution in order to reduce the carbon footprint of store deliveries. More and more logistics terminals have taken great ecological leaps forward, for example, by harnessing solar power and geothermal energy. Some of the logistics terminals used by Alko are already completely carbon neutral.

**ENVIRONMENTAL PARTNERSHIPS**

Alko wants to support locally effective environmental efforts. We selected as our new partner the Keep the Archipelago Tidy Association, which seeks to keep Fin-

**In 2020, Alko will be making considerable changes in its distribution in order to reduce the carbon footprint of store deliveries.**



One of the main environmental themes in Nordic alcohol monopoly cooperation in 2020 will be water and the local impacts of beverage production on its use and quality.

land’s seas, beaches, archipelago and internal waterways clean. Alko supported the Association with sales of our Vällivesi bottled water. With this funding, the Association was able to develop a mobile app to help organise volunteer cleanups for its SiistiBiitsi (Clean Beach) programme. The app was released in the autumn.

Alko also continued to support the Keep Lapland Tidy Association in its efforts to protect Lapland nature.

## Where are we headed?

Glass bottles are the greatest source of climate emissions in the wine supply chain and a major source of emissions for other products in Alko’s selection. We have the opportunity to influence beverage packaging when developing Alko’s selection. We can look for lightweight packaging materials and challenge the suppliers and producers of existing products to switch to lighter packaging or change their packaging material completely. Beverage packaging will continue to be a major focal area for our development work. Some of this work will involve increasing awareness of the climate impacts of beverage packaging. We cooperate with other actors in the sector, for example, with our suppliers, with the Association of Alcoholic Beverage Suppliers in Finland’s sustainability working group, and in our environmental efforts with the Nordic alcohol monopolies.

One of the main environmental themes in Nordic alcohol monopoly collaboration in 2020 will be water and the local impacts of beverage production on its use and quality. The Nordic sustainability working groups intend to commission a study of risks, problems and solutions associated with water consumption, particularly in wine production countries, and will also organise a seminar on Water and Human Rights for stakeholders and other operators in the sector. Nordic cooperation will continue in 2021 on the themes of biodiversity and soil fertility.

In 2019, we engaged in extensive cooperation with our domestic logistics partners in order to understand how we could reduce the carbon footprint of deliveries. On the basis of this analysis, Alko will gradually introduce newly planned routes and schedules to our distribution areas during 2020. This is expected to reduce emissions by up to 40 per cent in, for example, the capital city region.

### Alko’s environmental responsibility objectives by the end of 2020

- Forty per cent of the products in Alko’s selection carry at least some environmental data.
- Single-use plastic products made from virgin fossil-based raw materials, including plastic bags, have been replaced with a range of more sustainable accessory products. With this commitment, we are as a retailer involved in the EU’s strategy to limit the use of single-use plastics.
- The volume of packaging waste (cardboard and clear pallet plastic) that is generated by product logistics and accumulates in stores has been reduced by ten per cent compared to 2017.
- Electricity consumption (kWh/m²) in stores and at head office has been reduced by 10 per cent compared to 2017.
- Carbon dioxide emissions caused by electricity consumption have been reduced by 50 per cent compared to 2017.

Environmental objectives for 2030 defined in autumn 2019

- By 2030, Alko is carbon neutral in terms of our own electricity consumption and domestic deliveries.
- Green Choice products account for at least 70 per cent of the products in Alko’s selection.
- A 50 per cent reduction in the climate emissions caused by beverage packaging in Alko’s selection (compared to 2019).

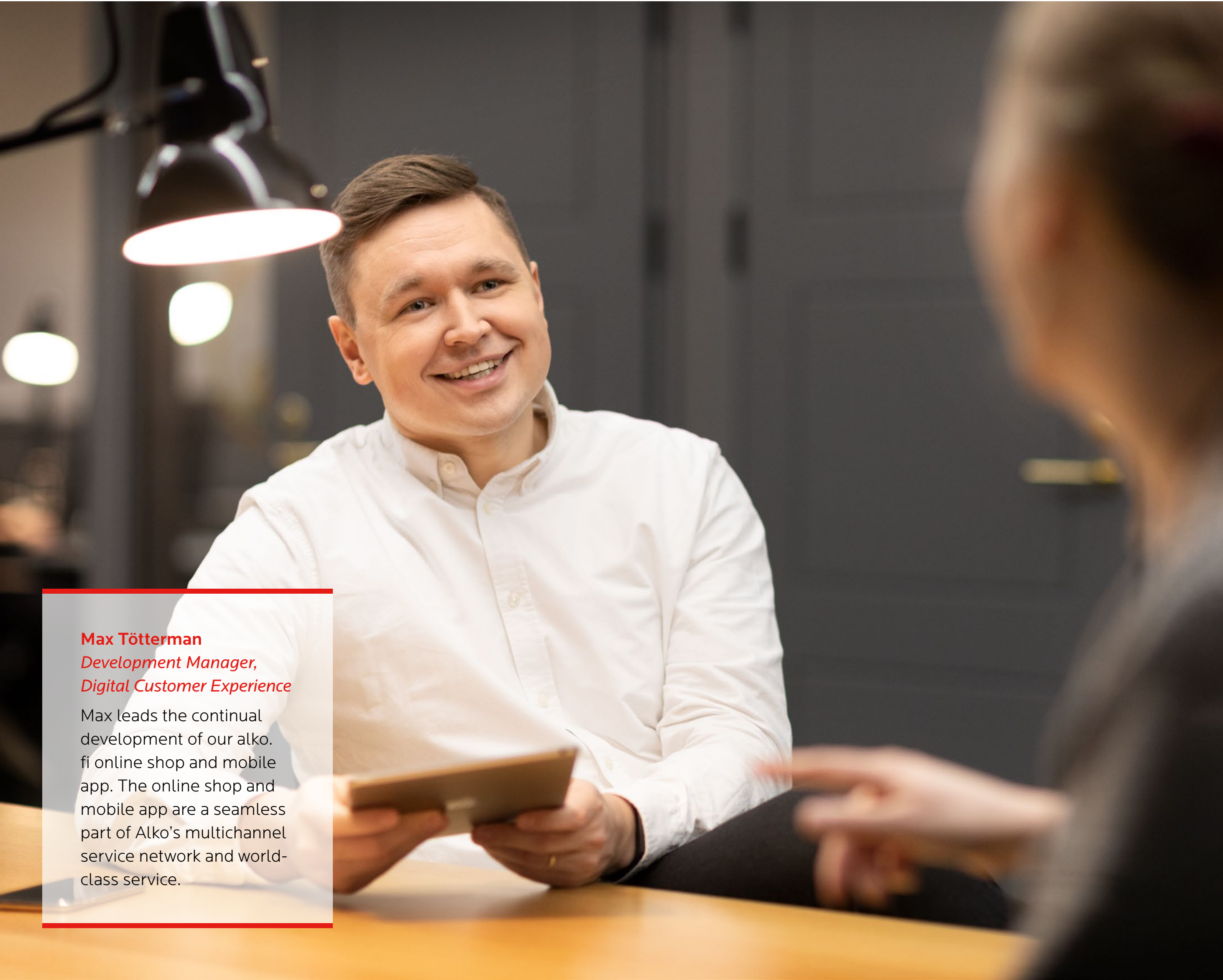
Read more:

[New winds in wine packaging: lightweight and environmentally friendly](#)

[Green Choice labels provide information about a beverage’s environmental friendliness](#)

[Green Choices for wine shopping](#)





**Max Tötterman**  
*Development Manager,  
Digital Customer Experience*

Max leads the continual development of our alko.fi online shop and mobile app. The online shop and mobile app are a seamless part of Alko's multichannel service network and world-class service.

# TRANSPARENT AND EFFICIENT OPERATIONS

At Alko, we continually improve and develop our operations. Transparency and efficiency are achieved through responsible operating methods and agile development.

## Why is this important to us?

**T**ransparency and efficiency help to ensure the attainment of Alko's strategic objectives. Alko's special mandate makes transparency even more important.

By quickly responding to changes and customer wishes, we will be able to provide the best customer experience and operate efficiently in our changing operating environment.

We want to operate at least as efficiently as any other specialist company, by focusing on our strengths and process efficiency. Efficient background processes and support functions free up more time for our store staff to spend on providing world-class customer service of which we can be proud.

Alko's operations have an extensive financial impact on stakeholders and society, and this financial responsibility is an important aspect of the company's operations. Operational efficiency is a must if we are to achieve a sustainable financial result. We must take equal account of all stakeholders and engage in open, transparent financial reporting.

In development projects and technology advancement programmes, we make sure to invest in solutions that genuinely create added value for either us or our customers, and to introduce these solutions efficiently in terms of both scheduling and costs.



Our digital services make Alko's entire selection equally available to everyone, no matter where they live.

# What have we done?

In 2019, we continued to focus on enhancing our digital customer experience and investing in operational efficiency and agile development.

## Enhancing our digital customer experience

Efforts to enhance our digital customer experience focused on smooth and easy shopping in all service channels. Customers expect Alko to provide digital services as well. The online shop, combined with the launch of our mobile app in the spring, add further dimensions to our multichannel service network and make Alko's selection equally available to all customers regardless of where they live. Our goal is to provide a standardised and consistent service experience in all service channels. We have been actively developing our online shop and mobile app during the year, in order to provide a world-class user experience and excellent usability. The mobile app has been downloaded tens of thousands of times, and customer feedback has been positive.

During 2019, we took major leaps forward in enhancing the product information displayed in our online shop, and particularly in terms of real-time product availability. The information is now more up-to-date and easily accessible to customers. Real-time product availability information is an essential factor in enhancing our customer experience. These developments will continue in 2020.

## More time for customers

In early 2019, Alko established process development teams that were tasked with ensuring the adequacy of existing process controls and identifying any areas whose efficiency could be boosted with streamlining or automation. Some of the agreed measures were launched immediately, while the rest have been included in ongoing or forthcoming projects.

Safeguarding business continuity is one of the most important aspects of efficiency, and we made considerable investments in this area in 2019. These developments have increased the reliability of ICT architecture and technology lifecycle management, data network security, and order-delivery chain monitoring. The more uninterrupted our services, the more efficient and customer friendly our service will be.



### How does agility improve my work?

Agility and agile methods are often only associated with IT projects. When it comes to Alko's digital services, agility has been integrated not only into business and service development but also into daily working life. In my own work, agility enables me to focus on the most important things. We're prepared to change earlier plans and priorities on the basis of, for example, customer feedback or analytics. One good example of this is the mobile app project, in which 1,200 customers were given the opportunity to test the app and provide feedback during the project. On the basis of their feedback, we changed both the app's planned features and our work priorities without the project goals being compromised. Alko's mobile app was released on schedule in March 2019.

[Read more](#)



Our bold and experimental culture enables us to create an easier and more customer-oriented working environment for our personnel.

AGILE DEVELOPMENT BEARS FRUIT

The main themes in agile development were responding quickly to customer feedback, service development prioritisation, and cost forecasting using a value-based model.

The Innovation Lab's bold and experimental culture enables us to create an easier and more customer-oriented working environment for our personnel. One such example is our pilot of digital price tags in one of our stores.

FINANCIAL RESPONSIBILITY

Sustainable financial performance, which forms the basis of our financial responsibility, can be achieved through responsible business practices. Alko operates openly and honestly, and in compliance with current legislation, regulations and agreements. We also require this of our partners. Alko does not condone bribery or corruption. Cash assets are invested to secure invested capital, ensure solvency, and obtain market-based returns on low-risk investments.

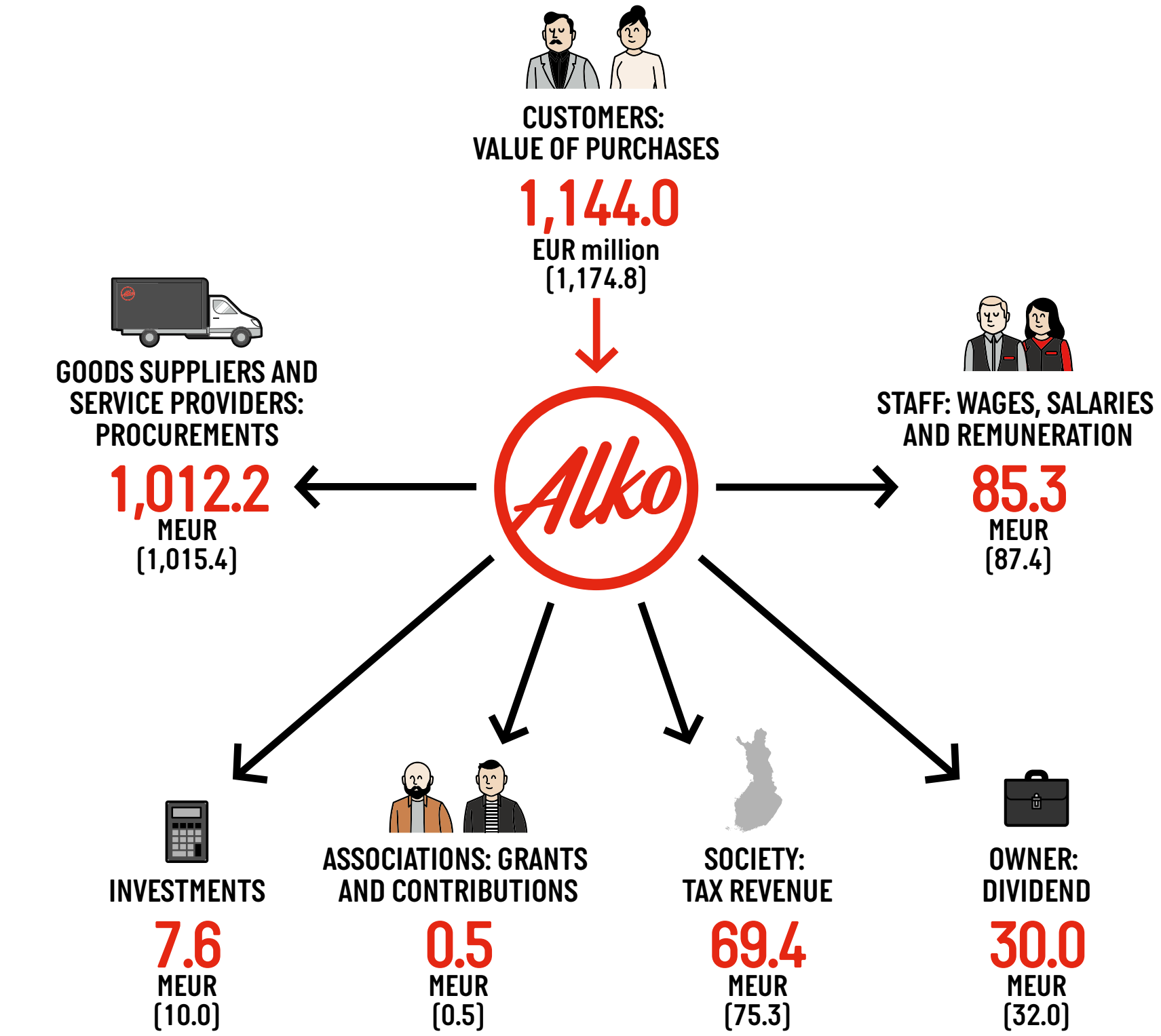
Customers

We offer our customers safe, premium-quality products and provide excellent customer service. Income from alcoholic beverages totalled EUR 1,138.5 (1,148.1) million in 2019. Beverages were sold via Alko's store network and online shop. We provided goods and services to the value of EUR 5.5 (5.1) million. This figure includes EUR 279 (304) thousand in income from analyses performed by the Alcohol Control Laboratory. Other operating income totalled EUR 1.9 (2.0) million and mainly comprised rental income.

Suppliers and service providers

Most of Alko's purchases are alcoholic beverages. Purchases from our 651 suppliers and wholesale traders in the alcoholic beverage industry totalled EUR 929.8 (935.2) million in 2019. 195 of these operators are based in Finland, but we also purchased alcoholic beverages from 456 international operators to the total of EUR 9.6 (12.4) million in 2019. We make our purchases in euros in order to avoid exchange rate risks. Alko purchased other products and services costing EUR 26.9 (23.4) million. A total of EUR 55.5 (56.8) million in procurements from suppliers was also entered under fixed costs. Two of the largest cost categories were IT ser-

ECONOMIC ADDED VALUE RECEIVED BY VARIOUS STAKEHOLDERS FROM ALKO'S OPERATIONS IN 2019



vices and store rental expenses. We made investments of EUR 12.2 (11.8) million in IT services and consulting. IT costs covered the IT systems and devices required by Alko, and the maintenance and minor development of our online shop. At the end of 2019, 342 of our 361 stores were located in leased premises, for which we paid EUR 18.0 (17.7) million in rent.



## Personnel

Salaries and fees paid to personnel, including associated expenses, totalled EUR 85.3 (87.4) million in 2019. Pension costs totalled EUR 11.7 (12.6) million, and other personnel expenses EUR 1.7 (3.0) million. In spite of our extended opening hours in January–February, we were able to keep our use of HR resources at a lower level than in the previous year.

## Society

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

The products we sold in 2019 accrued EUR 585.6 (589.1) million in alcoholic beverage tax. 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 products that pass through its central warehouse. We paid EUR 10.6 (10.7) million in alcohol tax on an accrual basis for alcoholic beverages passing through our central warehouse, plus EUR 0.3 (0.3) million in beverage packaging tax. Alko paid EUR 36.5 (39.1) million in VAT and EUR 8.1 (10.5) million in corporate tax, and EUR 13.4 (13.9) million in wage taxes and EUR 0.6 (0.6) million in social security contributions.

## Associations and organisations

Alko cooperates with several associations and organisations. The impact of these grants and contributions on full-year profit came to EUR 0.5 (0.5) million. Alko did not give grants or subsidies to political parties.

Collaboration is primarily based on joint projects whose objectives are specified in cooperation agreements and action plans. Alko's Annual General Meeting decides on the recipients and maximum sum of Alko's annual donations.

## Cooperation projects

Alko works with children, young people and adults to prevent the harmful effects of alcohol in collaboration with the following organisations: the A-Clinic Foundation, Mannerheim League for Child Welfare, Finnish Parents' League, National Institute for Health and Welfare (THL), Finnish Association for Substance Abuse Prevention (EHYT), Youth Academy, Finnish Olympic Committee, Life Education Foundation, and Finnish Association on Intellectual and Developmental Disabilities. We also support the Helsinki Junior Chamber International's Police Officer of the Year award, the journal Yhteiskuntapolitiikka, and performances of the play Fragile in schools through a company run by the producer Heikki Törm. We spent a total of EUR 272,603 (292,440) on these [cooperation projects](#) in 2019.

Alko also supports the activities of the Keep Lapland Tidy Association and the Keep the Archipelago Tidy Association. The Keep Lapland Tidy Association seeks to preserve and protect Lapland's nature. The Keep the Archipelago Tidy Association works to protect nature by cleaning up Finland's lakes and archipelago. We spent a total of EUR 13,000 (3,000) on cooperation projects in 2019.

## Donations

Donations can be given for the public good or corresponding purposes. Donations are targeted at research institutions and projects, as well as national projects aimed at reducing the harmful effects of alcohol. We donated EUR 90,000 (67,300) to the Finnish Foundation for Alcohol Studies and EUR 105,000 to the National Institute for Health and Welfare's substance abuse case count study and the European School Survey Project on Alcohol and Other Drugs (ESPAD). Our 2019 donations totalled EUR 195,000 (187,300).

Targets for donations include projects that promote sports and exercise for youth and children, wellbeing for different age groups, sustainable development, or the preservation of alcohol-related history and research. We supported the Hotel and Restaurant Museum, the Veikko and Lahja Hursti Charitable Trust's Christmas dinner for those of limited means, and Alko-Altian seniority to the total of EUR 44,000 (32,500).



**Our owner**

Alko is wholly owned by the Finnish State. We paid our owner a dividend of EUR 30.0 (32.0) million from our revenue for 2018. This dividend was paid in two instalments in 2019: EUR 15.0 million in June and EUR 15.0 million in September. Alko does not receive any financial assistance from the state.

**Investments**

Alko invested in strategic projects and the development of its store network. We invested EUR 6.1 (6.4) million in store development in 2019 and opened two new stores: one in Tesoma in Tampere and the other at the Mall of Tripla shopping centre in Helsinki. Twelve stores moved into new premises. Alko’s new store concept combines a multichannel approach with knowledgeable and personalised service. We have a single, standardised store concept with three different store types. These types define a store’s product selection, size and location, and the staff’s product expertise. All of our stores have a pick-up point for online orders.

By the end of 2019, we had already refurbished 135 stores in line with the new concept, and we have a further 40 refurbishments planned for 2020. We invested a total of EUR 1.5 (3.6) million in strategic projects in 2019. In terms of euros, the largest investment was EUR 0.5 in a data and analytics platform. We invested an additional EUR 0.3 million in developing a shift planning system, EUR 0.2 million in store locking systems, EUR 0.2 million in developing the mobile app and EUR 0.3 million in other projects.

**Where are we headed?**

We believe that agility and efficiency will become increasingly important in both providing our customers with world-class service and safeguarding profitability. We will continue to harness new technologies, partnerships and ecosystems whenever they generate added value for our customers, either in Alko stores or in our support functions. We will continue to promote a culture of agile development throughout the organisation.

As our operating environment becomes increasingly challenging, we will safeguard the profitability of our business by ensuring efficiency in all of our operations.



**Our customers and business requirements are the starting point for all of our developments, which we then support with technology.**

Our three most important principles are: to generate value for our customers by simplifying repetitive tasks, to move quickly from idea to implementation, and to be able to measure impacts and benefits. We encourage our personnel to boldly raise any sore points and other obstacles. Our customers and business requirements are the starting point for all of our developments, which we then support with technology.

We have built – and are continuing to build – a basic foundation for our organisation’s processes and technical environment, including a cloud environment. This gives us a platform on which to develop new ways of enhancing our customer experience with greater speed and flexibility. One example of this is that stores can now share real-time product availability data in all of our service channels.

We invest in developing a bold and agile culture. We do not fear failure, but rather learn from our mistakes. We are continually developing Alko’s business from a broad range of perspectives, and we want our efficiency to stand up favourably against others in our sector.



# REPORTING PRINCIPLES

We have been publishing our annual report in accordance with GRI guidelines since 2004.

Our reporting follows the recommendation for sustainable development drawn up by the Global Reporting Initiative (GRI), the Government Resolutions on State Ownership Policy (2016), and the Guidelines for the Reporting of the Country-Specific Taxes of Majority State-Owned Companies (2014). This sustainability report refers to the 2016 versions of the GRI standards listed in the GRI index. The report is published in Finnish and English, and is only available as a PDF. The report has not been externally assured.

## ASPECT BOUNDARIES

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

## MATERIAL ASPECTS OF CORPORATE SOCIAL RESPONSIBILITY

Alko's materiality assessment seeks to name the key responsibility perspectives for Alko and its stakeholders. Our materiality assessment steers Alko's responsibility efforts and stakeholder relations, and defines measures to meet stakeholders' expectations. Alko's materiality assessment was last updated in 2018 on the basis of a stakeholder survey.

## MATERIAL ASPECT MANAGEMENT

The assessment identified the following materialities for Alko:

1. The responsible retail sale of alcohol
2. Excellent customer experience
3. Supporting informed purchase decisions
4. An inspiring and motivating workplace
5. Promoting human and labour rights in beverage production
6. Sustainable beverage packaging materials, material efficiency and recycling
7. The climatic impacts and water consumption of beverage production
8. Enhancing responsibility through partnerships
9. Transparent and efficient operations

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



MATERIAL ASPECTS AND THEIR BOUNDARIES

Material aspects	Aspect boundary
Financial responsibility	
The responsible retail sale of alcohol	Alko Inc, society
Transparent and efficient operations	Alko Inc, society
Environmental responsibility	
Supporting informed purchase decisions	Alko Inc
Sustainable beverage packaging materials, material efficiency and recycling	Alko Inc, goods suppliers
The climatic impacts and water consumption of beverage production	Alko Inc, goods suppliers
Social responsibility	
An inspiring and motivating workplace	Alko Inc
Promoting human and labour rights in beverage production	Alko Inc, goods suppliers
Customer experience	
Excellent customer experience	Alko Inc

CALCULATION PRINCIPLES FOR ALKO’S CORPORATE RESPONSIBILITY INDICATORS

Own aspect: Sustainable packaging materials, material efficiency and recycling

Packaging types sold by Alko: sales of different packaging types and materials as a percentage of total sales. The quantities of beverage packages sold by Alko are obtained from Alko’s data warehouse (DW) using the Qlik reporting system, which provides product sales statistics by packaging type.

The CO<sub>2</sub>e emissions caused by wine packaging in tons/million litres. The quantities of wine packages sold by Alko are obtained from Alko’s data warehouse

(DW) using the Qlik reporting system, which provides wine sales by packaging type. Sales volumes are multiplied by each package type’s average CO<sub>2</sub>e value.

Own aspect: Supporting informed purchase decisions

Environmental product information, aka Green Choice information, is based on product information cards in Alko’s product management system. These cards are: organic, biodynamic, vegan, natural wine, certificated local sustainable development, and environmentally friendly packaging. Product sales and statistics are reported using the Qlik reporting system, which retrieves data from Alko’s data warehouse (DW). The indicators are the percentage of the overall selection accounted for by Green Choice products, in terms of both the number of products and sales in litres, and their percentage of total sales volumes.

Electricity consumption in stores and at head office

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

CO<sub>2</sub> emissions from import deliveries

This data is collected from Alko’s data warehouse (DW), which stores data on deliveries that are received at Alko’s central warehouse during the year and are entered into the GOLD system. The data is consolidated in a pivot table such that the weights of deliveries from each country (origin postcode) are added together. After that, the distances from the origin postcode to Alko’s central warehouse are sourced from data for earlier years (road and sea transport separately). If deliveries have come in from new regions during the period, the distances to these locations are updated. The distances are multiplied by emissions multipliers for land and sea transport (CO<sub>2</sub>/tn\*km). Their sum indicates the total emissions of import deliveries during the year.



**CO<sub>2</sub> emissions from domestic distribution to stores**

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

**Packaging materials collected from Alko stores with return transports**

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

**Checks for suspected cases of intoxication, age limits and handover of alcoholic beverages**

Each time a salesperson checks whether the customer is legally allowed to buy alcohol, they enter the check in the POS system with a shortcut key.

**Mystery Shopping**

Alko measures the annual success of age-limit checks using Mystery Shopping, in which age-limit supervision is tested with visits by test customers aged 18–25.

**Measures to ensure responsible procurement**

Alko monitors compliance with ethical operating principles in the supply chain with the aid amfori BSCI audits. Data on audit results is collected from amfori BSCI's database. The figures for training, workshops or other similar forms of cooperation are obtained from Alko's own systems, service providers and partners.

**Report stakeholders**

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

**Reporting period and contact information**

This report presents the results of our corporate responsibility efforts in 2019. Our report for 2018 was published in March 2019.

**Additional information**

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



# GRI CONTENT INDEX 2019

Disclosure number	GRI content	Location	Deficiencies and additional information	Version
GRI 102: General disclosures				2016
102-1	Name of the organisation	Alko in 2019		
102-2	Activities, brands, products, and services	Alko's mission and business		
102-3	Location of headquarters	Alko in 2019		
102-4	Location of operations	Alko in 2019		
102-5	Ownership and legal form	Alko in 2019		
102-6	Markets served	Alko in 2019		
102-7	Scale of the organisation	Alko in 2019		
102-8	Information on employees and other workers	An inspiring and motivating workplace		
102-9	Supply chain	Human and labour rights in beverage production		
102-10	Significant changes to the organisation and its supply chain	Alko in 2019, Human and labour rights in beverage production		
102-11	Precautionary principle or approach	Environmentally friendly choices		
102-12	External initiatives	Human and labour rights in beverage production		
102-13	Membership of associations	Responsibility efforts at Alko		
102-14	Statement from senior decision-maker	President and CEO's review		
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance		
102-18	Governance structure	Corporate Governance, Responsibility efforts at Alko		
102-22	Composition of the highest governance body and its committees	Board of Directors and committees		
102-23	Chair of the highest governance body	Board of Directors and committees	The Chair of the Board of Directors is not a member of senior management.	
102-35	Remuneration policies	Salaries and remuneration 2019		
102-36	Process for determining remuneration	An inspiring and motivating workplace	No external remuneration consultants have been used to determine remuneration.	
102-40	List of stakeholder groups	Responsibility efforts at Alko		
102-41	Collective bargaining agreements	An inspiring and motivating workplace		



Disclosure number	GRI content	Location	Deficiencies and additional information	Version
102-42	Identifying and selecting stakeholders	Responsibility efforts at Alko		
102-43	Approach to stakeholder engagement	Responsibility efforts at Alko		
102-44	Key topics and concerns raised	Responsibility efforts at Alko		
102-45	Entities included in the consolidated financial statements	Financial Statements	Alko Inc. and Kiinteistö Oy Arkadiantalo	
102-46	Defining report content and topic Boundaries	Responsibility efforts at Alko, Reporting principles		
102-47	List of material topics	Responsibility efforts at Alko, Reporting principles		
102-48	Restatements of information	Reporting principles		
102-49	Changes in reporting	Reporting principles		
102-50	Reporting period	Reporting principles		
102-51	Date of most recent report	Reporting principles		
102-52	Reporting cycle	Reporting principles		
102-53	Contact point for questions regarding the report	Reporting principles		
102-54	Claims of reporting in accordance with the GRI Standards	Reporting principles		
102-55	GRI content index	GRI content index 2019		
102-56	External assurance	Reporting principles	No external assurance of the report has been performed.	
<b>GRI 103: Management approach</b>				<b>2016</b>
103-1	Explanation of the material topic and its boundary	Responsibility efforts at Alko, Reporting principles		
103-2	The management approach and its components	Responsibility efforts at Alko		
103-3	Evaluation of the management approach	Responsibility efforts at Alko		
<b>ECONOMIC STANDARDS</b>				
<b>GRI 201: Economic performance</b>				<b>2016</b>
201-1	Direct economic value generated and distributed	Transparent and efficient operations		
201-2	Financial implications and other risks and opportunities due to climate change	Risk management, Environmentally friendly choices	Risks and opportunities have not been reported in terms of monetary estimates or actual figures. Information is not available because the impacts of climate change are hard to predict.	
201-4	Financial assistance received from government		Alko does not receive financial assistance. Alko is owned by the Finnish government.	



Disclosure number	GRI content	Location	Deficiencies and additional information	Version
<b>GRI 203: Indirect economic impacts</b>				<b>2016</b>
203-2	Significant indirect economic impacts	Transparent and efficient operations		
<b>GRI 205: Anti-corruption</b>				<b>2016</b>
205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance	Anti-corruption principles are included in the company's business principles, which were updated in 2019 and renamed Ethical Principles. The principles can be read by all employees on the intranet. All employees will receive training on the new principles at the beginning of 2020. No separate training on the principles was organised in 2019. The ethical principles are included in the induction training of all new Alko employees.	
205-3	Confirmed incidents of corruption and actions taken	Corporate Governance	During 2019, there were no corruption- or bribery-related legal cases in which Alko was the defendant.	
<b>GRI 206: Anti-competitive behaviour</b>				<b>2016</b>
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		In 2019, there were no legal actions, fines or other consequences arising from competition regulations.	
<b>ENVIRONMENTAL IMPACTS</b>				
	Own aspect: Sustainable packaging materials, material efficiency and recycling	Environmentally friendly choices		
	Own aspect: Supporting informed purchase decisions	Environmentally friendly choices, World-class customer service		
<b>GRI 302: Energy</b>				<b>2016</b>
302-1	Energy consumption within the organisation	Environmentally friendly choices	Alko's electricity consumption in 2019 totalled 11.7 GWh. This figure includes the electricity consumption of the store network and head office; for a small number of stores, it is based on the average consumption per square metre of equivalent stores.	
<b>GRI 305: Emissions</b>				<b>2016</b>
305-3	Other indirect (Scope 3) GHG emissions	Environmentally friendly choices	In 2019, the CO <sub>2</sub> e emissions from Alko's domestic transport and store distribution amounted to 242.6 tons and emissions from own imports to 173 tons.	



Disclosure number	GRI content	Location	Deficiencies and additional information	Version
<b>GRI 306: Effluents and waste</b>				<b>2016</b>
306-2	Waste by type and disposal method	Environmentally friendly choices	In 2019, Alko directed 1,251 tons of cardboard waste and 145.5 tons of pallet plastic to recycling. Some cardboard waste is recycled through joint collection organised by property owners. Alko only reports on the recycling it has organised itself. Alko's operations do not generate statistically recorded hazardous waste.	
<b>SOCIAL IMPACTS</b>				
	Own aspect: Responsible retail sales of alcohol	The responsible sale of alcohol		
<b>GRI 401: Employment</b>				<b>2016</b>
401-1	New employee hires and employee turnover	An inspiring and motivating workplace		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	An inspiring and motivating workplace		
<b>GRI 402: Labour/management relations</b>				<b>2016</b>
402-1	Minimum notice periods regarding operational changes	An inspiring and motivating workplace	Collective negotiations on employee reductions comply with the minimum notification period (five days) and negotiation period (14 days/six weeks) specified in the Cooperation Act. Cooperation agreements that specify the purpose and objectives of the cooperation to be complied with at Alko and the parties involved are attached to both collective agreements. The cooperation agreements also specify the regulations governing the consultative committee. Alko's consultative committee comprises both employer representatives and representatives from both personnel organisations.	



Disclosure number	GRI content	Location	Deficiencies and additional information	Version
<b>GRI 403: Occupational health and safety</b>				<b>2016</b>
403-1	Occupational health and safety management system	An inspiring and motivating workplace	All employees are covered by an occupational safety organisation.	
403-2	Hazard identification, risk assessment, and incident investigation	An inspiring and motivating workplace	<p>Each Alko location assesses occupational safety risks on a quarterly basis as set out in the annual calendar. Any deficiencies identified during risk assessment are assigned to a supervisor who is responsible for development measures to eliminate occupational safety hazards and to develop occupational safety. Carrying out risk assessments is part of the employee induction programme.</p> <p>Workplace accidents reported by the business locations are investigated by the occupational protection organisation. Accidents that occur during work commutes are not investigated – it is more challenging to influence them, as we cannot affect the environment outside our own locations.</p>	
403-4	Worker participation, consultation, and communication on occupational health and safety	An inspiring and motivating workplace	The collective agreement includes an occupational safety agreement. Alko has a company-level occupational safety committee that includes representatives of personnel groups. Composition: 4 representatives of waged staff/salespeople, 2 representatives of salaried staff, 2 representatives of the employer.	
<b>GRI 404: Training and education</b>				<b>2016</b>
404-1	Average hours of training per year per employee	An inspiring and motivating workplace	Data on gender and employee category is not yet available for all training days. Reporting will be developed in the future.	
404-2	Programmes for upgrading employee skills and transition assistance programmes	An inspiring and motivating workplace	Coaching for transitional situations is provided as necessary. No significant transitions occurred in 2019. The company does not have transition training programmes for retirement.	
404-3	Percentage of employees receiving regular performance and career development reviews	An inspiring and motivating workplace	Alko engages in target and competence discussions regularly, one to two times a year. As a rule, all employees participate in these discussions.	



Disclosure number	GRI content	Location	Deficiencies and additional information	Version
<b>GRI 405: Diversity and equal opportunity</b>				<b>2016</b>
405-1	Diversity of governance bodies and employees	An inspiring and motivating workplace, Board of Directors and committees, Management Team		
405-2	Ratio of basic salary and remuneration of women to men	An inspiring and motivating workplace	No information available. We will develop reporting in the future.	
<b>GRI 406: Non-discrimination</b>				<b>2016</b>
406-1	Incidents of discrimination and corrective actions taken	Human and labour rights in beverage production, An inspiring and motivating workplace	We are not aware of any cases of discrimination in 2019.	
<b>GRI 407: Freedom of association and collective bargaining</b>				<b>2016</b>
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Human and labour rights in beverage production	Alko upholds freedom of association as guaranteed by the Constitution of Finland. Alko is not aware of any violations of freedom of association at Alko or in its supply chain. Our audits did not reveal any violations of freedom of association.	
<b>GRI 414: Supplier social assessment</b>				<b>2016</b>
414-1	New suppliers that were screened using social criteria	Human and labour rights in beverage production	All of Alko's product suppliers sign a Code of Conduct when they offer products for the selection. Producers are audited on the basis of risks. The company has not kept statistics of the percentage of the entire selection that has been audited. After the implementation of the supply chain system project that will be implemented in 2020, it will be possible to report this information as well.	
<b>GRI 415: Public policy</b>				<b>2016</b>
415-1	Political contributions	Transparent and efficient operations	Alko does not grant financial support to political actors.	



Disclosure number	GRI content	Location	Deficiencies and additional information	Version
<b>GRI 416: Customer health and safety</b>				<b>2016</b>
416-1	Assessment of the health and safety impacts of product and service categories	World-class customer service	Products in the general and seasonal selections and large special editions undergo sensory evaluation. All products must be laboratory tested before being included in the selection. In the case of the general and seasonal selection, this testing is always performed at Alko's own laboratory. In addition, product quality is monitored with a risk-based quality control programme and customer feedback.	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services.	World-class customer service	One public product recall occurred in 2019 because the label did not indicate that the product contains a peanut allergen. Alko was the importer of this product.	
<b>GRI 417: Marketing and labelling</b>				<b>2016</b>
417-1	Requirements for product and service information and labelling	World-class customer service and products	In 2019, Alko prepared for the inclusion of the inspection of label marks in product quality assurance. Statistical information on label mark inspections will be available in 2020.	
<b>GRI 419: Socioeconomic compliance</b>				<b>2016</b>
419-1	Non-compliance with laws and regulations in the social and economic area		Alko had no instances of non-compliance with laws and regulations in the social and economic area in 2019. Overtime violations were found in five of seven audits of the supply chain carried out by Alko. Working and rest periods are set in national legislation.	



# FINANCIAL STATEMENTS

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OF DIRECTORS

2. CONSOLIDATED INCOME  
STATEMENT AND BALANCE SHEET

3. CONSOLIDATED CASH  
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4. ALKO INC. INCOME STATEMENT  
AND BALANCE SHEET

5. ALKO INC. CASH FLOW STATEMENT

6. NOTES

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ON THE DISTRIBUTION OF PROFIT

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SUPERVISORY BOARD



# REPORT OF THE BOARD OF DIRECTORS

## BOARD REVIEW

Alko seeks to sell alcohol responsibly and to serve customers and the welfare society to the best of its ability. The company’s operations are based on social and health policy goals to reduce the harmful health and societal effects of alcohol. The Alcohol Act that came into force at the beginning of 2018 introduced numerous changes for Alko. The maximum alcohol by volume of drinks sold in daily consumer goods stores increased to 5.5 per cent and restrictions based on production methods were removed. After these changes, Alko has the sole right to engage in the retail sales of drinks containing more than 5.5 per cent alcohol by volume.

Converted to 100 per cent alcohol, total alcohol consumption declined in 2019. Alko’s sales in litres were down 3.7 per cent and sales in daily consumer goods stores decreased by 1.7 per cent. Alcoholic beverages imported by travellers were down 12.4 per cent year-on-year in terms of 100 per cent alcohol, but up 1.5 per cent in terms of litres.

Changes in the operating environment challenge the company to engage in continuous development of operations. Responsibility and wellbeing are increasingly important, and declining environmental sustainability challenges us to take the environment into consideration in all our operations. The population is on the rise in the Greater Helsinki area and regional growth centres, but decreasing in rural areas. The ageing of the population will usher in great changes in the society of the future. These will be evident in the need for care, for instance. Demographic changes affect the availability of labour in different areas, for instance. Ways of working are undergoing a transformation in all sectors due to new technologies and ecosystems. Consumers’ expectations regarding service, selection and multichannel operations are rising constantly.

Alko’s new strategy was introduced at the beginning of 2019. With this strategy, the company carries out its mandate of serving the Finnish welfare society and enhancing wellbeing through its own role. In addition to serving society, the development of customer experience is ongoing. Responsibility plays a role in all of Alko’s operations. Responsible solutions in line with sustainable development are part of all our operations. The company does its part to prevent the climate crisis and makes it as easy as possible for customers to make ecologically and ethically responsible choices. Alko’s operations have an extensive financial impact on stakeholders and society. A sustainable financial performance can be achieved through responsible values and business practices. The new strategy will take Alko’s responsibility and customer experience in an even more ambitious direction. The company’s mission is the most responsible way to sell alcohol in the world, its vision is esteemed by customers and its promise is world-class service. The focal points of the strategy are world-class service, responsible enjoyment, success through enthusiasm, and agile and efficient.

68 (66) per cent of Finns consider the restrictions imposed by alcohol policy to be suitable or would like to see tighter restrictions, while 28 (28) per cent would like to relax the restrictions. Women are in favour of stricter re-

strictions than men. 62 (59) per cent of Finns think that Alko is a good method of limiting the harmful effects of alcohol consumption. 85 (81) per cent of Finns think Alko has been highly or quite successful in its customer service. When it comes to responsibility, 83 (82) per cent are of the opinion that the company has achieved its objectives very or quite well. This information comes from Kantar TNS Oy and the National Institute for Health and Welfare’s annual Opinions on Alcohol Policy survey, which has been carried out since 1984. The results were published in February 2020.

Alko’s net sales including alcohol tax totalled EUR 1,144.0 (1,153.6) million. Net sales excluding alcohol tax were EUR 558.3 (564.3) million. One of the reasons behind the decline in net sales was that daily consumer goods stores could start selling 5.5 per cent ABV drinks as from the beginning of 2018. Operating profit came to EUR 40.1 (46.0) million, representing 3.5 (4.0) per cent of net sales including alcohol tax. Fixed costs totalled EUR 149.1 (151.0) million. Fixed costs decreased in both personnel expenses and other operating costs. Depreciation saw year-on-year growth. Alko’s result weakened on the previous year due to the decline in net sales and the weaker sales margin. However, the result was in line with plans.

Financial income and expenses totalled EUR 0.0 (0.4) million in 2019. Profit for the financial year was EUR 31.9 (37.0) million. The balance sheet total came to EUR 262.0 (261.8) million. The equity ratio came to 35.5 (34.8) per cent. The company’s total investments amounted to EUR 7.6 (10.1) million. Investments mainly focused on strategic projects and developing our shop network. Alko continued to invest in the development of its store network and multichannel customer service.

## Key figures

	2017	2018	2019
Net sales, EUR million	1,174.8	1,153.6	1,144.0
Net sales excluding alcohol tax, EUR million	596.5	564.3	558.3
Operating profit, EUR million	52.6	46.0	40.1
Income tax on ordinary operations, EUR million	-10.5	-9.3	-8.1
Profit for financial year, EUR million	40.7	37.0	31.9
Income from ordinary operations, EUR million	40.7	37.0	31.9
Dividend (proposal 2019), EUR million	32.0	30.0	30.0
Return on equity, %	50.4	41.8	34.6
Equity ratio, %	31.9	34.8	35.5
Balance sheet total, EUR million	271.2	261.8	262.0
Gross investments in fixed assets, EUR million	7.9	10.1	7.6
Average number of personnel during the financial year	2,401	2,452	2,466



## SALES TREND

### Taxation and prices

The excise tax on alcoholic beverages was raised by an average of 2.5 per cent at the beginning of 2019.

Alko's retail sales prices rose by 0.8 per cent during the year, mainly due to alcohol tax increases. Goods suppliers had the opportunity to change their prices in January, June and October.

### World-class service

At the end of 2019, Alko had 361 (359) stores, an online shop and mobile app. The store network was supplemented by 100 (65) pick-up points. 54.2 (55.3) million customer visits were made to the stores. At the end of the year, the online shop had a total of 65,300 registered customers. The mobile app launched in March had almost 45,000 users.

Alko's service quality is measured with the national customer service feedback survey (KAP) carried out by Taloustutkimus. In two rounds of the KAP survey in 2019, Alko received the best results in the Finnish retail sector. Alko's average KAP survey score was 8.57 (target: 8.58). Customers ranked the company's service as the best in the retail business for the 11th consecutive time. Alko ranked second among all service companies, behind the library.

The service advisors of the customer service centre serve customers by phone, email, social media and chat during the opening hours of the stores. The customer service centre received a total of 82,000 customer contacts during 2019.

Alko continued to develop its service network and digital customer experience with the aim of providing an even smoother service experience.

### The world in a glass

Alko's selection featured drinks from 73 (76) countries. The company bought beverages from 651 (604) suppliers. In 2019, Alko's selection included 10,991 (9,578) products.

Alko lists new products for sale on a weekly basis. Including seasonal products and special editions, 989 (1,034) new products were introduced to the general selection. 1,450 (1,471) new products were added to the sale-to-order selection. Alko's selection had 178 (139) non-alcoholic beverages.

Alko measures customer satisfaction with the selection twice a year using a Selection Satisfaction Survey (carried out by Dagmar Drive). Selection satisfaction remained at an all-time high in 2019, 8.52 (on a scale of 4–10).

## THE MOST RESPONSIBLE WAY TO SELL ALCOHOL IN THE WORLD

In the strategy, the focus of “responsible enjoyment” is to be a pioneer in responsibility.

Responsibility is an important value for all Alko staff, and the company makes sure it is realised in decision-making and all work.

In 2019, the most important responsibility actions were to ensure that alcohol is sold responsibly, promote the wellbeing of children and young people, develop a more environmentally friendly beverage selection and enhance expertise in different phases of the beverage supply chain.

The major actions in responsible customer service were the launch of Vällivesi water, the Don't let a drop become an ocean campaign and the introduction of the Concern Card at stores. Vällivesi is intended to remind customers of the importance of drinking water, especially when consuming alcoholic beverages. The Don't let a drop become an ocean theme supports Alko's mission and sparks discussion about whether one's own alcohol use is moderate and its impact on personal health and the wellbeing of loved ones. The Concern Card is a tool for Alko store staff for situations in which a customer expresses – on their own initiative – concerns about alcohol use, whether their own or that of a family member/loved one. The card includes contact information for parties to whom the person can turn to for assistance.

Based on extensive research evidence, alcohol pricing and restricting access are the most effective ways to steer alcohol consumption.

In addition to selling alcohol responsibly, Alko communicated about the harmful effects of alcohol on society and health, and cooperated with research institutes and associations in the social and healthcare sector.

An international research team led by the Canadian professor Tim Stockwell published a study entitled “Finnish alcohol policy at the crossroads” in October. It provides objective and fact-based information on the impacts of alcohol policy on society. On the basis of the results of this independent research team, permitting sales of all alcoholic beverages at all retail outlets would increase consumption and thereby lead to greater harmful impacts. Alko funded the study. In connection with the publication of the study, an event where Stockwell presented the results was organised for alcohol researchers.

Alko actively interacts with its stakeholders. The company develops both its operating methods and culture continuously based on the feedback received.

### Responsibility management

We implement responsible operating methods in all of our operations. We set annual targets for both responsible operations and their development, and also measure our success in achieving them.

The responsibility working group handled responsibility development projects and measures. The working group is chaired by the Sustainability Manager, who reports to the Executive Vice President, Communications.



The Management Team reviews responsibility issues that are of key relevance to the strategy and action plan. The leader of each business unit and support function bears responsibility for operative management.

The Board of Directors regularly reviews responsibility issues that are prepared by the Board’s Responsibility Committee. The Supervisory Board approves a plan for responsibility measures for one calendar year at a time and presents a report on the actions carried out during the previous year. The President & CEO reports on the responsibility actions at Alko’s Annual General Meeting. The AGM decides on the maximum amount of donations to be granted by the company.

Alko engages in close cooperation in environmental issues and both the traceability and ethicality of the supply chain with the alcohol monopolies of Sweden, Norway, Iceland and the Faroe Islands.

Company-level objectives and results

Alko evaluates its success in carrying out its alcohol policy mission annually with the Opinions on Alcohol Policy survey carried out by the National Institute for Health and Welfare and Kantar TNS Oy. Alko's approval rating stood at 62 per cent in 2019 (59 per cent).

Alko’s responsibility performance is measured among the general public with the responsibility score of T-Media Oy’s Confidence and Reputation survey. The result for 2019, 3.44, exceeded the target.

Alko’s approval rating

Indicator	2016	2017	2018	2019 target	2019
In your opinion, is Alko's sole right to engage in the retail sale of alcoholic beverages as a state-owned alcohol monopoly an effective way of restricting the harmful effects of alcohol consumption? (TNS Kantar, THL)	62%	60%	59%	60%	62%
Confidence and Reputation survey, responsibility factor, scale 1–5 (T-Media)	3.42	3.31	3.28	3.37	3.44

RESPONSIBLE ENJOYMENT

Championing wellbeing, fighting social exclusion

Alko continued its Clearly Good Work and In the Company of Children programmes in 2019. Clearly Good Work promoted the further development of Let’s Talk about Intoxicants in the Workplace, a tool created by A-Clinic Foundation, and its marketing to workplaces. For HR professionals, Alko organised Don’t let a drop become an ocean: Advice for Daily Encounters, an event seeking answers to questions about alcohol and working life.

One of the highlights of the In the Company of Children programme was Harold, a new game implemented by the Life Education Finland foundation, which provides assistance and coaching on healthy choices to children in grades four to six. Alko is one of the main partners of the Olympic Committee’s Give a Young Person Wings campaign. The project supports youth hobbies, healthy lifestyles and holistic life management. Alko handed out the Sports Club of the Year award at the Finnish Sports Gala and participated in the Olympic Committee’s #seura-sydän (#clubheart) sports club campaign. Fragile toured schools in many municipalities, reaching almost 1,000 young people in secondary school. Two Fragile art workshop training events were organised for the Mahis group leaders of the Youth Academy. The first group of Alko volunteers trained as Mahis and Fragile workshop leaders.

Alko is involved in the Knowledge-based anti-substance abuse management model in Central Finland project, launched in 2019. This project seeks to create a knowledge-based model for anti-substance abuse that can be successfully used within the province.

The company provided financial support to the National Institute for Health and Welfare’s substance abuse case count study, the European School Survey Project on Alcohol and Other Drugs (ESPAD) and alcohol research through the Finnish Foundation for Alcohol Studies.

Uncompromisingly responsible customer service

Checking age limits, suspected cases of intoxication and suspected handovers of alcohol to minors form part of Alko's responsible customer service and tangible means of preventing the harmful effects of alcohol at the individual level. Alko measures the success of these checks using a Mystery Shopping survey. Mystery shopping is a research method based on observation, in which young test customers do business with a company as ordinary customers requiring service.

Targets and results

Indicator	2016	2017	2018	2019 target	2019
Age mystery surveys	91%	95%	95%	93%	96%
Self-supervision age-limit checks	3.8 million	4.6 million	4.6 million	-	4.6 million
Self-supervision intoxication checks	0.6 million	0.6 million	0.5 million	-	0.5 million
Self-supervision checks for suspected handovers	0.3 million	0.4 million	0.3 million	-	0.3 million

ENVIRONMENTALLY FRIENDLY CHOICES

The greatest environmental risks in the alcohol industry are changes in environmental conditions that stem from climate change and may impact the primary production of ingredients in Alko’s supply chain. The most signif-



icant of these are increased temperatures during the growing season and worsening droughts in areas already suffering from critical water shortages. These include wine-producing regions such as South Africa, California, southern Spain, southern Italy and Australia. Climate change has also increased the unpredictability of weather during the growing season. The industry is also subject to local, producer-specific environmental risks, mainly in relation to the use of pesticides and their indirect – yet long-term – harmful effects on local ecosystems and communities.

Alko has no separately defined business-related environmental risks. Alko complies with legislation on environmental issues, as in all other areas. We monitor changes in legislation and act in accordance with the expectations of our stakeholders and society at large.

Targets and results

Alko is committed to curbing climate change by reducing the environmental impact of our operations and the overuse of natural resources. We implement the United Nations’ Sustainable Development Goals, to which Finland is committed. Alko’s environmental work is based on our strategy and environmental policy.

The most significant environmental impacts in our supply chain arise from the manufacture of packaging (glass packaging in particular), the cultivation of ingredients (grapes, grain), and energy consumption in the beverage industry.

Alko’s 2020 objectives for environmental responsibility:

- Forty per cent of the products in the selection carry at least some Green Choice environmental data
- Single-use plastic products, including plastic bags, have been replaced with a range of more sustainable auxiliary products
- The volume of packaging waste (cardboard and clear shrink plastic) that is generated by product logistics and accumulates in stores has been reduced by ten per cent compared to 2017
- Electricity consumption (kWh/m²) in stores and at head office has been reduced by ten per cent compared to 2017
- Carbon dioxide emissions caused by electricity consumption have been reduced by 50 per cent compared to 2017.
- At the end of 2019, 20 per cent of the assortment featured Green Choice product information.

The theme of environmental cooperation between the Nordic alcohol monopolies in 2019 was energy and emissions, particularly in the supply chain and transport. In addition to efforts to reduce the emission load of beverage packaging, we sought additional information on the energy consumption and energy-efficiency measures of producers both by visiting them and with a survey. We drafted an efficiency-boosting plan for 2020 in coopera-

tion with our Finnish logistics partners that will enable the reduction of fuel consumption and thereby emissions by as much as 40 per cent on a distribution area basis.

Indicator	2016	2017	2018	2019	2020 TARGET
Total power consumption (Total power consumption of Alko shops, regional offices and the head office. Figure is partly based on an estimate.)	12 GWh	11.6 GWh	10.7 GWh	11.7 GWh	-10% compared with 2017, that is, 10.44 GWh
Material delivered from Alko stores for recycling or reuse:					
Cardboard waste (This figure covers 308 stores, from which cardboard waste is sent for recycling via Alko’s own return transport)	1,005 tons	1,115.6 tons	1,194.7 tons	1,251 tons	-10% compared with 2017, that is, 1,004 tons
Pallet plastic (This figure covers all stores)	132 tons	146.1 tons	132.8 tons	145.5 tons	-10% compared with 2017, that is, 131.5 tons
Inner bags from boxed wines	3.6 tons	3.7 tons	10.4 tons	12.8 tons	

SUCCESS THROUGH ENTHUSIASM

In 2019, Alko mobilised its renewed strategy in day-to-day operations together with all personnel. We worked on and considered the impacts of Alko’s strategy and our everyday choices – in store teams, with supervisors, at head office, and with the aid of gamification in a variety of different groups. Alko’s management competences were updated to support the strategy.

Alko commissioned a survey to identify the factors that affect our corporate culture, in terms of both its current strengths and any elements that need to be enhanced. A comprehensive picture of our current culture will help us to further develop Alko as a company and as the most attractive workplace in the service sector. During the year, we also defined dimensions for personnel diversity and have also taken diversity into greater consideration in HR development and management.

In 2019, Alko had an average of 2,466 (2,452) employees. Staff working hours are planned on the basis of customer flows and are mainly weighted towards seasons and other customer flow peaks. For this reason, the number of personnel fluctuates greatly during the year. In order to ensure a high standard of customer service during peak seasons, Alko recruits fixed-term employees for those seasons. In terms of computational work-years, the work done by full-time and part-time employees totalled 1,898 (1,924) work-years.

Both the new operating model for store staff resourcing and shift planning have been revised. The aim is to ensure even smoother work and standardised operating methods. Centralised shift planning has been piloted at stores with good results.



We maintain and develop expertise through not only local training events, but also online courses and on-the-job learning. We also offer job and career development opportunities through responsible roles for employees in addition to their main job tasks. These include service and shop selection expert tasks and serving as coaches. In 2019, the development of supervisory work focused especially on service management.

Alko's strategic incentive scheme uses targets and indicators for responsibility, customers, personnel and efficiency to guide employees to successfully implement Alko's strategy and achieve objectives through teamwork. In 2019, according to the financial statements, wages and commissions for personnel totalled EUR 71.8 (71.8) million. Staff and management will be paid EUR 3.12 (3.11) million in incentives for 2019, inclusive of personnel-related expenses. This represents 4.4 (4.3) per cent of personnel costs.

Alko makes outlays on personnel wellbeing and the prevention of working capacity risks – occupational health-care and safety are an important aspect of this. Preventative working capacity management was a particular focus in 2019. In 2019, our working capacity management primarily focused on developing reporting and working capacity processes, as well as supporting and developing supervisors' working capacity management.

The targeting of occupational safety management and measures has been improved with the introduction of safety reporting for business management. We actively monitor dangerous situations and the number of accidents, including any subsequent sick leave. We use health and safety data to draw up measures that will enable us to support our staff's wellbeing to the best of our ability and above all proactively.

Results

Indicator	2016	2017	2018	2019
Personnel Motivation Index	4.09	4.08	3.99	3.91
Voluntary turnover	8.72%	10.1%	16.6%	18.1%
Total sickness absences	4.33	4.61	4.68	5.12
Accidents at work	120	112	108	122
Pay grade	5	3	2	3
Retirement age (retirement pensions)	61	60.7	61.6	60.8
No. of personnel/supervisor (stores)				
All	-	17.5	18.8	16.1
permanent	8.8	12.8	15.3	14.1

RESPECTING HUMAN RIGHTS

Alko is committed to respecting all internationally recognised human rights. We published a human rights commitment in December 2017. We assess our activities in relation to the UN's Guiding Principles on Business and Human Rights.

All our beverage suppliers must sign a covenant in which they agree to comply with amfori BSCI's ethical operating principles for supply chains. These ethical principles are based on international agreements and covenants, and include the following: the right to freedom of association and collective bargaining, fair and legal remuneration, occupational health and safety, protection for young workers, banning bonded labour, ethical business, banning discrimination, decent working hours, banning child labour, promoting steady employment, and environmental protection.

Human rights risks

The most significant human rights risks identified in the alcoholic beverage industry's international supply chain relate to the primary production of ingredients and seasonal labour. Agricultural harvests are very labour intensive, and the use of leased labour is very common. Problems identified in the industry include ambiguous management practices, exceeding statutory working hours, and compromising on occupational health and safety. Seasonal workers in particular are subject to violations of human rights and labour rights. With regard to Alko's operations, the high-risk regions for wine production are South Africa, Chile, Argentina, and Mediterranean coastal regions. For other product groups, the human rights violations identified in sugar cane cultivation are currently one of Alko's focal points. Human rights risk assessment is part of Alko's operating model for indirect procurements.

Targets and results

In 2019, Alko continued to develop competence at the various levels of the supply chain. The company provided training in different countries of origin both on its own and through partners. Expertise development aims to ensure the realisation of ethical operating principles in practice.

In September 2019, Alko and the other Nordic alcohol monopolies organised a joint seminar that focused on ethical issues in sugarcane cultivation, which forms part of the rum supply chain. The seminar had more than 100 participants consisting of goods suppliers, beverage producers and representatives of the rum production chain. At the event, experts spoke about production conditions on sugarcane plantations, including issues such as kidney disease caused by excessively hot working conditions, as well as the certification of production and the benefits of certification. The event sought to promote the dissemination of information about human rights problems in molasses production as part of the rum supply chain and firm up cooperation to solve the problems.

In 2019, inspection visits – that is, audits – commissioned by Alko were made to seven production facilities and eight farms in South Africa, Argentina and Chile. Alko and the other Nordic alcohol monopolies use some of the same goods suppliers, and thus audits by the other monopolies support efforts to ensure and develop responsibility in Alko's supply chain. The most common areas for development detected in the conducted audits were deficiencies in occupational health and safety. Overtime work exceeding the legal maximums is also common, es-



pecially during harvesting. No zero-tolerance cases (as specified in amfori BSCI's protocol) came to light in Alko's supply chain in 2019. Zero-tolerance cases are by nature flagrant violations or negligence that require immediate intervention. These are handled with regular follow-up measures but to an accelerated schedule.

In addition to audits, Alko carried out sustainability visits to five wine producers in Southern Spain. Large flows of migrants have gone to Southern Europe in recent years. A variety of human rights violations in the production of agricultural products have made the news in both Finnish and international media. Like audits, the sustainability visits were carried out by a third party selected through competitive tendering. Assessments are performed during these visits based on observations, interviews and inspections of documentation. This operating model is more agile and cost-effective than amfori audits.

Indicator	2016	2017	2018	2019	2020 TARGET
amfori BSCI audits	17	16	12	7	2/3 of procurements in high-risk countries (litres) have been amfori-audited or otherwise ethically certified

In 2019, we launched one of the most important projects of the strategy period to enhance transparency in the supply chain. As from the beginning of 2021, we aim to provide customers with better access to background information on products to enable responsible purchase decisions.

Alko concluded negotiations to start cooperation with IUF, the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations. Alko, Service Union PAM and IUF signed a Memorandum of Understanding towards the end of 2019. The aim of the cooperation is to prevent the realisation of identified human and labour rights risks in the beverage supply chain and to ensure that identified deficiencies are resolved. Practical cooperation will begin in 2020.

ETHICAL PRINCIPLES

Alko has Ethical Principles that have been approved by the Board of Directors and updated in 2019. All employees will complete online training on the ethical principles at the beginning of 2020. The principles are also included in the induction programme. Our ethical principles guide each and every Alko employee in accordance with the current values and principles for responsible operations that have been approved by Alko's management. Any changes to the ethical principles are approved by the company's Board of Directors.

In accordance with its ethical principles, Alko personnel may not accept or give any direct or indirect gifts or benefits that could be considered as bribery or corruption. Alko requires every employee to comply with and promote its ethical principles. Personnel should report any instances of non-compliance to their own supervisor, the

supervisor's immediate supervisor, or the internal audit function. The company does not have a separate system for reporting non-compliance.

In order to safeguard equality in our cooperation with suppliers, a set of rules has been drawn up for dealings between procurement personnel and suppliers, and likewise for dealings between stores and suppliers.

In 2019, there were no ongoing legal cases or investigations into non-competitive behaviour involving Alko.

SHARES AND SHAREHOLDER

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

GOVERNANCE

On 25 April 2019, 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 also elected the following members: Kuisma Niemelä, MA; CEO Kirsi Paakkari, M.Sc. (Econ.); Pekka Perttula, PhD (Political Science); Ulrika Romantschuk, EVP, Communications & Branding, BA (Political Science); and Director General Markku Tervahauta, MD, PhD. Kirsi Varhila resigned from the Board of Directors as of 1 October 2019 on her appointment as Permanent Secretary of the Ministry of Social Affairs and Health. The owner appointed Markku Tervahauta as Vice-Chair of the Board as of 1 October 2019 with a unanimous decision as specified in the Companies Act.

Personnel representatives Riina Väntsi (Juha Parviainen from 1 May to 28 October) and Sini Heikkinen attended the Board of Directors' meetings without the right to vote.

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

RISK MANAGEMENT

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

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



- Changes in the Alcohol Act may have a significant impact on the company.
- Changes in alcohol tax may affect both travellers’ private imports of alcoholic beverages and Alko's sales trends and profitability.
- Responsible customer service is a central aspect of Alko's operations – for example, not selling alcohol to minors or clearly intoxicated people. Any exceptions to this pose a reputation risk for the company.
- 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.
- Environmental and social responsibility risks in the supply chain of alcoholic beverages may damage the company's reputation as a responsible player.

EVENTS AFTER THE END OF THE FINANCIAL PERIOD

No significant events deviating from ordinary business operations have occurred after the end of the financial period.

OUTLOOK FOR 2020

Alko’s sales volume for the first months of the year has been almost on a par with the previous year. General economic uncertainty has increased in the early part of the year due to the coronavirus epidemic. The economic situation, consumer trends and imports by passengers influence alcohol sales in Finland.

Alko will continue to develop responsible multichannel service to meet a variety of customer needs and measures in accordance with the strategy updated in 2018.

THE BOARD OF DIRECTORS’ PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The Board proposes that EUR 149,094.95 be transferred from the other equity fund to the unrestricted equity fund to cover the costs of improving wellbeing at work.

The parent company’s distributable funds at 31 December 2019 totalled EUR 74,825,548.71 (EUR 72,806,189.15), of which EUR 31,870,264.61 (EUR 37,045,661.55) is profit for the financial year.

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

– distributed as a dividend	EUR 30,000,000.00
– to be retained under equity	EUR 44,825,548.71
	<hr/>
	EUR 74,825,548.71

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



# INCOME STATEMENT AND BALANCE SHEET

## ALKO GROUP

INCOME STATEMENT, FAS*	MEUR	Note	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
<b>NET SALES</b>			<b>1,144.1</b>	<b>1,153.7</b>
Other operating income		2.1	1.9	2.0
Materials and services		2.2	-956.7	-959.0
Personnel costs		2.4	-85.3	-87.4
Depreciation and write-downs		2.6	-8.4	-6.9
Other operating expenses		2.8	-54.9	-56.3
<b>OPERATING PROFIT</b>			<b>40.7</b>	<b>46.0</b>
Financial income and expenses		2.9, 2.10	-0.0	0.4
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>			<b>40.7</b>	<b>46.4</b>
Income taxes		2.11	-8.0	-9.3
<b>PROFIT/LOSS FOR FINANCIAL YEAR</b>			<b>32.7</b>	<b>37.1</b>

\* FAS = Finnish Accounting Standards

BALANCE SHEET, FAS*	MEUR	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets		3.1, 3.4	3.6	5.2
Tangible assets		3.2, 3.5	45.6	43.9
Investments		3.3, 3.6	3.9	4.0
<b>NON-CURRENT ASSETS</b>			<b>53.1</b>	<b>53.2</b>
<b>CURRENT ASSETS</b>				
Inventories		4.3	77.5	76.5
Non-current receivables		4.4	1.7	1.7
Deferred tax assets			0.9	0.7
Current receivables		4.6	20.0	15.2
Cash and cash equivalents		4.1	112.0	116.9
<b>CURRENT ASSETS</b>			<b>212.2</b>	<b>211.0</b>
<b>ASSETS</b>			<b>265.2</b>	<b>264.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital			16.8	16.8
Other funds			1.4	1.5
Retained profit			43.8	36.6
Profit/loss for financial year			32.7	37.1
<b>SHAREHOLDERS' EQUITY</b>		5.1	<b>94.7</b>	<b>92.0</b>
<b>OBLIGATORY PROVISIONS</b>		6.1	0.0	0.0
<b>LIABILITIES</b>				
Deferred tax liability			1.4	1.4
Current non-interest-bearing liabilities		7.2	169.1	170.8
<b>LIABILITIES</b>			<b>170.5</b>	<b>172.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			<b>265.2</b>	<b>264.2</b>



# CASH FLOW STATEMENT

## ALKO GROUP

CASH FLOW STATEMENT, FAS* MEUR	2019	2018
<b>CASH FLOW FROM OPERATIONS</b>		
Profit/loss for financial year	32.5	37.1
<b>ADJUSTMENTS:</b>		
Depreciation and write-downs	8.4	6.9
Capital gains (-) and losses (+) on non-current assets	-0.3	0.0
Financial income and expenses	0.0	-0.4
Income taxes	8.1	10.5
Cash flow before change in working capital	48.8	54.1
<b>CHANGE IN WORKING CAPITAL:</b>		
Increase(-)/decrease(+) in inventories	-1.1	-5.2
Increase (-) /decrease (+) in current non-interest-bearing accounts receivable	-4.1	6.9
Increase (+) /decrease (-) in current non-interest-bearing liabilities	-1.6	-14.6
Change in provisions	0.0	0.0
Cash flow from operations before financial items and taxes	42.0	41.2
Interest paid on operations	-0.0	0.0
Dividends received from operations	0.0	0.0
Interest received from operations	0.5	0.2
Other financial items from operations	0.0	0.0
Direct taxes paid	-9.3	-9.3
<b>CASH FLOW FROM OPERATIONS</b>	<b>33.1</b>	<b>32.0</b>

\* FAS = Finnish Accounting Standards

CASH FLOW STATEMENT, FAS* MEUR	2019	2018
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in tangible and intangible assets	-8.4	-10.5
Income from the surrender of tangible and intangible assets	0.0	0.0
Acquisition of subsidiaries	0.0	0.0
Divested shares in associated companies	0.0	0.0
Other investments	0.0	0.2
Income from the surrender of other investments	0.4	0.1
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-8.0</b>	<b>-10.2</b>
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>		
Dividends paid	-30.0	-32.0
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>	<b>-30.0</b>	<b>-32.0</b>
<b>CHANGE IN FINANCIAL POSITION</b>	<b>-4.9</b>	<b>-10.2</b>
Financial resources at the beginning of the year	116.9	127.0
Change in financial position	-4.9	-10.2
Financial resources at the end of the year	112.0	116.9



# INCOME STATEMENT AND BALANCE SHEET

## ALKO INC

INCOME STATEMENT, FAS*	MEUR	Note	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
<b>NET SALES</b>			<b>1,144.0</b>	<b>1,153.6</b>
Other operating income		2.1	1.9	2.0
Materials and services		2.2	-956.7	-959.0
Personnel costs		2.4	-85.3	-87.4
Depreciation and write-downs		2.6	-8.4	-6.9
Other operating expenses		2.8	-55.5	-56.3
<b>OPERATING PROFIT</b>			<b>40.1</b>	<b>46.0</b>
Financial income and expenses		2.9, 2.10	-0.0	0.4
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>			<b>40.0</b>	<b>46.4</b>
Income taxes		2.11	-8.1	-9.3
<b>PROFIT/LOSS FOR FINANCIAL YEAR</b>			<b>31.9</b>	<b>37.0</b>

\* FAS = Finnish Accounting Standards

BALANCE SHEET, FAS*	MEUR	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets		3.1, 3.4	3.6	5.2
Tangible assets		3.2, 3.5	16.0	15.1
Investments		3.3, 3.6	31.1	31.2
<b>NON-CURRENT ASSETS</b>			<b>50.7</b>	<b>51.5</b>
<b>CURRENT ASSETS</b>				
Inventories		4.3	77.5	76.5
Non-current receivables		4.4	1.7	1.7
Current receivables		4.6	20.0	15.2
Cash and cash equivalents		4.1	112.0	116.8
<b>CURRENT ASSETS</b>			<b>211.3</b>	<b>210.3</b>
<b>ASSETS</b>			<b>262.0</b>	<b>261.8</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital			16.8	16.8
Other funds			1.4	1.5
Retained profit			43.0	35.8
Profit/loss for financial year			31.9	37.0
<b>SHAREHOLDERS' EQUITY</b>		5.1	<b>93.0</b>	<b>91.2</b>
<b>OBLIGATORY PROVISIONS</b>		6.1	0.0	0.0
<b>LIABILITIES</b>				
Current non-interest-bearing liabilities		7.2	169.0	170.7
<b>LIABILITIES</b>			<b>169.0</b>	<b>170.7</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			<b>262.0</b>	<b>261.8</b>



# CASH FLOW STATEMENT

## ALKO INC

CASH FLOW STATEMENT, FAS* MEUR	2019	2018
<b>CASH FLOW FROM OPERATIONS</b>		
Profit/loss for financial year	31.9	37.0
<b>ADJUSTMENTS:</b>		
Depreciation and write-downs	8.4	6.9
Capital gains (-) and losses (+) on non-current assets	-0.3	0.0
Financial income and expenses	0.0	-0.4
Income taxes	8.1	10.5
Cash flow before change in working capital	48.1	54.1
<b>CHANGE IN WORKING CAPITAL:</b>		
Increase (-) /decrease (+) in inventories	-1.1	-5.2
Increase (-) /decrease (+) in current non-interest-bearing accounts receivable	-4.1	6.7
Increase (+) /decrease (-) in current non-interest-bearing liabilities	-1.7	-14.5
Change in provisions	0.0	0.0
Cash flow from operations before financial items and taxes	41.2	41.1
Interest paid on operations	-0.0	0.0
Dividends received from operations	0.0	0.0
Interest received from operations	0.5	0.2
Other financial items from operations	0.0	0.0
Direct taxes paid	-9.3	-9.3
<b>CASH FLOW FROM OPERATIONS</b>	<b>32.4</b>	<b>32.0</b>

\* FAS = Finnish Accounting Standards

CASH FLOW STATEMENT, FAS* MEUR	2019	2018
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in tangible and intangible assets	-7.6	-10.1
Income from the surrender of tangible and intangible assets	0.0	0.0
Divested shares in associated companies	0.0	0.0
Other investments	0.0	0.0
Income from the surrender of other investments	0.4	0.1
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-7.2</b>	<b>-10.0</b>
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>		
Dividends paid	-30.0	-32.0
<b>CASH FLOW FROM FINANCIAL OPERATIONS</b>	<b>-30.0</b>	<b>-32.0</b>
<b>CHANGE IN FINANCIAL POSITION</b>	<b>-4.8</b>	<b>-10.0</b>
Financial resources at the beginning of the year	116.8	126.9
Change in financial position	-4.8	-10.0
Financial resources at the end of the year	112.0	116.8



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

## SCOPE OF THE CONSOLIDATED STATEMENT AND ACCOUNTING PRINCIPLES

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

The Consolidated Financial Statements include Kiinteistö Oy Arkadiantalo. The 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. Depreciation is carried out according to the depreciation plan for non-current assets.

## INTER-COMPANY TRANSACTIONS AND MARGINS

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

## MINORITY INTERESTS

There are no minority interests.

## COMPARABILITY OF THE FINANCIAL STATEMENTS

The financial statements are comparable.

## VALUATION PRINCIPLES

### Net sales

Net sales include excise taxes.

## Fixed asset valuation

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

	years
Buildings	25–40
Structures	20
Machinery and equipment	5
Transport equipment	5
Computer hardware	3
Computer software	3–5
Renovation of store premises	5

## Valuation of inventories

Inventories have been valued at their average price. Store inventories include excise duty. The central warehouse in Voutila, Vantaa is excise duty free.

## Valuation of financial assets

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

## Items denominated in foreign currencies

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



# NOTES TO THE INCOME STATEMENT, FAS

	ALKO GROUP		ALKO INC	
MEUR	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
<b>2.1 OTHER OPERATING INCOME</b>				
Rental income	1.1	1.3	1.1	1.3
Other operating income	0.5	0.6	0.5	0.6
Profit on the sale of fixed assets	0.3	0.0	0.3	0.0
<b>Total other operating income</b>	<b>1.9</b>	<b>2.0</b>	<b>1.9</b>	<b>2.0</b>
<b>2.2 MATERIALS AND SERVICES</b>				
Purchases during the financial period	-953.5	-960.1	-953.5	-960.1
Increase/decrease in inventories	1.2	5.3	1.2	5.3
Materials, consumables and supplies	-952.4	-954.8	-952.4	-954.8
Outsourced services	-4.4	-4.3	-4.4	-4.3
<b>Total materials and services</b>	<b>-956.7</b>	<b>-959.0</b>	<b>-956.7</b>	<b>-959.0</b>
<b>2.3 AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR</b>	2,466	2,452	2,466	2,452
<b>2.4 PERSONNEL COSTS</b>				
Wages, salaries and remuneration	-71.8	-71.8	-71.8	-71.8
Pension expenses	-11.7	-12.6	-11.7	-12.6
Other personnel-related expenses	-1.7	-3.0	-1.7	-3.0
<b>Total personnel costs</b>	<b>-85.3</b>	<b>-87.4</b>	<b>-85.3</b>	<b>-87.4</b>

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

The OP-Life group pension insurance chosen by the parent company has an additional insurance fund as at 31 December 2019: EUR 18.1 million (EUR 20.8 million). This fund can be used as insurance against supplementary pension index increases and other obligations.

	ALKO GROUP		ALKO INC	
MEUR	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
<b>2.5 SALARIES, REMUNERATION AND BENEFITS PAID TO MANAGEMENT</b>				
President & CEO	0.5	0.4	0.5	0.4
Members of the Board of Directors	0.2	0.2	0.2	0.2
Supervisory Board wages, salaries and remuneration	0.0	0.0	0.0	0.0
<b>Total salaries, remuneration and benefits paid to Management</b>	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.6</b>
Incentive bonuses are included in salaries on an accrual basis.				
<b>2.6 DEPRECIATION AND WRITE-DOWNS</b>				
Depreciation according to plan	-8.4	-6.9	-8.4	-6.9
Depreciation according to plan on non-current assets and goodwill	-8.4	-6.9	-8.4	-6.9
Reversed impairment on non-current asset items	0.0	0.0	0.0	0.0
<b>Total depreciation and write-downs</b>	<b>-8.4</b>	<b>-6.9</b>	<b>-8.4</b>	<b>-6.9</b>
<b>2.7 AUDITOR'S FEES</b>				
KPMG Oy Ab				
Auditing	0.0	0.0	0.0	0.0
Other fees	0.0	0.0	0.0	0.0
<b>Total auditor's fees</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>



# NOTES TO THE INCOME STATEMENT, FAS

	ALKO GROUP		ALKO INC	
MEUR	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
<b>2.8 OTHER OPERATING EXPENSES</b>				
Rents	-20.6	-20.2	-21.9	-20.8
Voluntary personnel-related expenses	-1.3	-1.5	-1.3	-1.5
Capital losses on non-current assets	0.0	0.0	0.0	0.0
Support given	-0.0	-0.2	-0.0	-0.2
Energy	-1.3	-1.1	-1.2	-1.1
Work outfits and equipment	-2.1	-2.4	-2.1	-2.4
Construction and repair services	-0.6	-0.6	-0.3	-0.6
IT services	-12.2	-11.8	-12.2	-11.8
Transport	0.0	0.0	0.0	0.0
Other outsourced services	-5.7	-6.5	-5.7	-6.5
Communications and marketing	-3.0	-3.0	-3.0	-3.0
Telecommunications	-1.3	-1.5	-1.3	-1.5
Credit card commissions and cash handling	-4.7	-4.2	-4.7	-4.2
Other expenses	-2.2	-3.4	-1.8	-2.8
<b>Total other operating expenses</b>	<b>-54.9</b>	<b>-56.3</b>	<b>-55.5</b>	<b>-56.3</b>

	ALKO GROUP		ALKO INC	
MEUR	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
<b>2.9 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	0.5	0.4	0.5	0.4
Other financial income	0.5	0.4	0.5	0.4
<b>Total financial income</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>	<b>0.4</b>
<b>2.10 FINANCIAL EXPENSES</b>				
Impairment on investments in non-current assets	0.0	0.0	0.0	0.0
Other financial expenses	-0.5	0.0	-0.5	0.0
<b>Total other interest and financial expenses</b>	<b>-0.5</b>	<b>0.0</b>	<b>-0.5</b>	<b>0.0</b>
<b>Total financial expenses</b>	<b>-0.5</b>	<b>0.0</b>	<b>-0.5</b>	<b>0.0</b>
<b>Total financial income and expenses</b>	<b>-0.0</b>	<b>0.4</b>	<b>-0.0</b>	<b>0.4</b>
Profit/loss from exchange rates	0.0	0.0	0.0	0.0
<b>Total profit/loss from exchange rates</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>2.11 DIRECT TAXES</b>				
Income tax on operations	-8.1	-9.3	-8.1	-9.3
Changes in deferred tax liabilities and assets	0.1	0.0	0.0	0.0
Income tax on operations	-8.0	-9.3	-8.1	-9.3



# NOTES TO THE BALANCE SHEET

## 3 Non-current assets

MEUR	ALKO GROUP		ALKO INC	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>3.1 INTANGIBLE ASSETS</b>				
Other capitalised expenditures	3.3	4.8	3.3	4.8
Advance payments on intangible assets	0.3	0.4	0.3	0.4
<b>Total intangible assets</b>	<b>3.6</b>	<b>5.2</b>	<b>3.6</b>	<b>5.2</b>
<b>3.2 TANGIBLE ASSETS</b>				
Land and water areas	13.9	13.9	0.0	0.0
Buildings and structures	15.7	14.9	0.0	0.0
Machinery and equipment	16.0	15.1	16.0	15.1
Other tangible assets	0.0	0.0	0.0	0.0
Advance payments for ongoing acquisitions	0.0	0.0	0.0	0.0
<b>Total tangible assets</b>	<b>45.6</b>	<b>43.9</b>	<b>16.0</b>	<b>15.1</b>
<b>3.3 INVESTMENTS</b>				
Holdings in Group companies	0.1	0.1	27.2	27.2
Holdings in associated companies	0.9	0.9	0.9	0.9
Other shares and holdings	2.9	3.1	2.9	3.1
<b>Total investments</b>	<b>3.9</b>	<b>4.0</b>	<b>31.1</b>	<b>31.2</b>
<b>Total non-current assets</b>	<b>53.1</b>	<b>53.2</b>	<b>50.7</b>	<b>51.5</b>



# NOTES TO THE BALANCE SHEET

## 3.4 INTANGIBLE ASSETS

### ALKO GROUP

Intangible assets 2018	MEUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		24.1	1.3	25.4
Increase		0.0	2.0	2.0
Decrease				
Transfers between items		2.9	-2.9	
Acquisition cost, 31 December		27.0	0.4	27.4
Accumulated depreciation, 1 January		-20.2		-20.2
Depreciation for the financial year		-2.0		-2.0
Accumulated depreciation, 31 December		-22.2		-22.2
<b>Book value, 31 December</b>		<b>4.8</b>	<b>0.4</b>	<b>5.2</b>

Intangible assets 2019	MEUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		27.0	0.4	27.4
Increase		0.0	1.1	1.1
Transfers between items		1.3	-1.3	0.0
Acquisition cost, 31 December		28.3	0.3	28.6
Accumulated depreciation, 1 January		-22.2		-22.2
Depreciation for the financial year		-2.8		-2.8
Accumulated depreciation, 31 December		-25.0		-25.0
<b>Book value, 31 December</b>		<b>3.3</b>	<b>0.3</b>	<b>3.6</b>

### ALKO INC

Intangible assets 2018	MEUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		24.1	1.3	25.4
Increase		0.0	2.0	2.0
Decrease				
Transfers between items		2.9	-2.9	
Acquisition cost, 31 December		27.0	0.4	27.4
Accumulated depreciation, 1 January		-20.2		-20.2
Depreciation for the financial year		-2.0		-2.0
Accumulated depreciation, 31 December		-22.2		-22.2
<b>Book value, 31 December</b>		<b>4.8</b>	<b>0.4</b>	<b>5.2</b>

Intangible assets 2019	MEUR	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January		27.0	0.4	27.4
Increase		0.0	1.1	1.1
Transfers between items		1.3	-1.3	0.0
Acquisition cost, 31 December		28.3	0.3	28.6
Accumulated depreciation, 1 January		-22.2		-22.2
Depreciation for the financial year		-2.8		-2.8
Accumulated depreciation, 31 December		-25.0		-25.0
<b>Book value, 31 December</b>		<b>3.3</b>	<b>0.3</b>	<b>3.6</b>



# NOTES TO THE BALANCE SHEET

## 3.5 TANGIBLE ASSETS

### ALKO GROUP

Tangible assets 2018 MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January	13.9	16.3	75.9	0.0	106.1
Increase	0.0	0.4	8.1	0.0	8.5
Decrease	0.0	0.0	0.0	-0.2	-0.2
Advance payments	0.0	0.0	0.0	0.2	0.2
Transfers between items	0.0	0.0	0.0	0.0	0.0
Acquisition cost, 31 December*	13.9	16.6	84.0	0.0	114.6
Accumulated depreciation, 1 January	0.0	-1.7	-64.0	0.0	-65.8
Accumulated depreciation on decreases and transfers	0.0	0.0	0.0	0.0	0.0
Depreciation for the financial year	0.0	0.0	-4.9	0.0	-4.9
Accumulated depreciation, 31 December	0.0	-1.7	-68.9	0.0	-70.6
<b>Book value, 31 December</b>	<b>13.9</b>	<b>14.9</b>	<b>15.1</b>	<b>0.0</b>	<b>43.9</b>

\* Acquisition cost does not include upward value adjustments

Tangible assets 2019 MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January	13.9	16.6	84.0	0.0	114.6
Increase	0.0	0.7	6.5	0.0	7.2
Decrease	0.0	0.0	0.0	0.0	0.0
Advance payments	0.0	0.0	0.0	0.0	0.0
Transfers between items	0.0	0.0	0.0	0.0	0.0
Acquisition cost, 31 December*	13.9	17.4	90.5	0.0	121.8
Accumulated depreciation, 1 January	0.0	-1.7	-68.9	0.0	-70.6
Accumulated depreciation on decreases and transfers	0.0	0.0	0.0	0.0	0.0
Depreciation for the financial year	0.0	0.0	-5.6	0.0	-5.6
Accumulated depreciation, 31 December	0.0	-1.7	-74.5	0.0	-76.2
<b>Book value, 31 December</b>	<b>13.9</b>	<b>15.7</b>	<b>16.0</b>	<b>0.0</b>	<b>45.6</b>



# NOTES TO THE BALANCE SHEET

## 3.5 TANGIBLE ASSETS

### ALKO INC

\* Acquisition cost does not include upward value adjustments

Tangible assets 2018 MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January	0.0	0.1	75.9	0.0	76.0
Increase	0.0	0.0	8.1	0.0	8.1
Decrease	0.0	0.0	0.0	0.0	0.0
Transfers between items	0.0	0.0	0.0	0.0	0.0
Acquisition cost, 31 December*	0.0	0.1	84.0	0.0	84.1
Accumulated depreciation, 1 January	0.0	-0.1	-64.0	0.0	-64.1
Accumulated depreciation on decreases and transfers	0.0	0.0	0.0	0.0	0.0
Depreciation for the financial year	0.0	0.0	-4.9	0.0	-4.9
Accumulated depreciation, 31 December	0.0	-0.1	-68.9	0.0	-69.0
<b>Book value, 31 December</b>	<b>0.0</b>	<b>0.0</b>	<b>15.1</b>	<b>0.0</b>	<b>15.1</b>

Tangible assets 2019 MEUR	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January	0.0	0.1	84.0	0.0	84.1
Increase	0.0	0.0	6.5	0.0	6.5
Decrease	0.0	0.0	0.0	0.0	0.0
Transfers between items	0.0	0.0	0.0	0.0	0.0
Acquisition cost, 31 December*	0.0	0.1	90.5	0.0	90.6
Accumulated depreciation, 1 January	0.0	-0.1	-68.9	0.0	-69.0
Accumulated depreciation on decreases and transfers	0.0	0.0	0.0	0.0	0.0
Depreciation for the financial year	0.0	0.0	-5.6	0.0	-5.6
Accumulated depreciation, 31 December	0.0	-0.1	-74.5	0.0	-74.5
<b>Book value, 31 December</b>	<b>0.0</b>	<b>0.0</b>	<b>16.0</b>	<b>0.0</b>	<b>16.0</b>

# NOTES TO THE BALANCE SHEET

## 3.6 INVESTMENTS

### ALKO GROUP

Investments 2018 MEUR	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January	0.9	1.9	3.6	6.4
Increase	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	-0.1	-0.1
Acquisition cost, 31 December	0.9	1.9	3.5	6.3
Accumulated write-downs and capital adjustments, 1 January	-0.8	-1.0	-0.5	-2.3
Accumulated write-downs on decreases and transfers	0.0	0.0	0.1	0.1
Accumulated depreciation	0.0	0.0	0.0	0.0
Accumulated depreciation, 31 December	-0.8	-1.0	-0.4	-2.3
<b>Book value, 31 December</b>	<b>0.1</b>	<b>0.9</b>	<b>3.1</b>	<b>4.0</b>

Investments 2019 MEUR	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January	0.9	1.9	3.5	6.3
Increase	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	-0.1	-0.1
Acquisition cost, 31 December	0.9	1.9	3.4	6.2
Accumulated write-downs and capital adjustments, 1 January	-0.8	-1.0	-0.4	-2.3
Accumulated write-downs on decreases and transfers	0.0	0.0	0.0	0.0
Accumulated depreciation	0.0	0.0	0.0	0.0
Accumulated depreciation, 31 December	-0.8	-1.0	-0.4	-2.3
<b>Book value, 31 December</b>	<b>0.1</b>	<b>0.9</b>	<b>2.9</b>	<b>3.9</b>



# NOTES TO THE BALANCE SHEET

## 3.6 INVESTMENTS

### ALKO INC

Investments 2018 MEUR	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January	28.0	1.9	3.6	33.6
Increase	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	-0.1	-0.1
Acquisition cost, 31 December	28.0	1.9	3.5	33.4
Accumulated write-downs and capital adjustments, 1 January	-0.8	-1.0	-0.5	-2.3
Accumulated write-downs on decreases and transfers	0.0	0.0	0.1	0.1
Accumulated depreciation	0.0	0.0	0.0	0.0
Accumulated depreciation, 31 December	-0.8	-1.0	-0.4	-2.3
<b>Book value, 31 December</b>	<b>27.2</b>	<b>0.9</b>	<b>3.1</b>	<b>31.2</b>

Investments 2019 MEUR	Holdings in Group companies	Holdings in associated companies	Other shares and holdings	Total
Acquisition cost, 1 January	28.0	1.9	3.5	33.4
Increase	0.0	0.0	0.0	0.0
Decrease	0.0	0.0	-0.1	-0.1
Acquisition cost, 31 December	28.0	1.9	3.4	33.3
Accumulated write-downs and capital adjustments, 1 January	-0.8	-1.0	-0.4	-2.3
Accumulated write-downs on decreases and transfers	0.0	0.0	0.0	0.0
Accumulated depreciation	0.0	0.0	0.0	0.0
Accumulated depreciation, 31 December	-0.8	-1.0	-0.4	-2.3
<b>Book value, 31 December</b>	<b>27.2</b>	<b>0.9</b>	<b>2.9</b>	<b>31.1</b>

# NOTES TO THE BALANCE SHEET

## 3.7 SHARES

### ALKO INC

	Parent company holding, %	Percentage of shareholders' equity, EUR 1,000	Shareholders' equity	Number of shares	Nominal value EUR/share	Shares/holdings nominal value 31 Dec 2019, EUR 1,000, total	Book value, 31 Dec 2019, EUR 1,000	Profit/loss according to the latest financial statements, EUR 1,000
Investments 2019								
HOLDINGS IN GROUP COMPANIES								
Kiinteistö Oy Arkadiantalo, Helsinki	100.00		20,609,224.81				27,141	668
Kiinteistö Oy Puolangan Keskus, Puolanka	50.48	188	372,157.06	275	56.00	15	25	0
Kiinteistö Oy Raahen Asemakatu 12, Raahе	57.90	253	436,678.44	14,476	17.00	246	80	0
Kiinteistö Oy Vuoksenniskan Harjulanrinne, Imatra	100.00	17	17,477.27	7,308	0.30	2	0	66
TOTAL HOLDINGS IN GROUP COMPANIES		458					27,246	
HOLDINGS IN PARTICIPATING INTEREST COMPANIES								
Kiinteistö Oy Enon Kauppakeskus, Eno	37.00	169	457,707.58	259	5.05	1	28	4
Asunto Oy Juvan Myllynkerä, Juva	31.50	148	469,112.68	3,150	0.25	1	50	-13
Kaavin Yrittäjätalo Oy, Kaavi	23.20	79	340,950.32	348	16.82	6	36	-26
Kiinteistö Oy Kaivolankulma, Puumala	36.37	122	334,804.32	2,515	67.28	169	35	0
Kiinteistö Oy Kannuksen Torinkulma, Kannus	46.03	331	719,789.43	2,900	1.68	5	70	-1
Kiinteistö Oy Mantsintie 1–3, Ilomantsi	28.19	110	389,004.42	311	50.46	16	50	1
Kiinteistö Oy Nilsianportti, Nilsia	31.49	448	1,422,159.71	1,606	16.82	27	90	-4
Asunto-osakeyhtiö Pieksälä, Pieksämäki	26.82	187	696,408.59	54,800	1.68	92	50	27
Kiinteistö Oy Saarijärven Paavonaukio, Saarijärvi	29.58	231	781,514.96	392	168.19	66	70	13
Asunto Oy Sandelsinkatu 4, Helsinki	24.85	23	93,282.55	6,835	0.34	2	251	-20
Kiinteistö Oy Savitaipaleen Torinkulma, Savitaipale	23.00	190	827,149.71	2,300	0.34	1	45	11
Kiinteistö Oy Urpala, Rantasalmi	36.88	288	781,875.46	2,950	0.34	1	50	-17
Kiinteistö Oy Äänekosken Torikatu 5, Äänekoski	36.29	314	864,245.59	450	16.82	8	40	0
TOTAL HOLDINGS IN PARTICIPATING INTEREST COMPANIES		2,640					865	



# NOTES TO THE BALANCE SHEET

## 3.7 SHARES

	Parent company holding, %	Percentage of shareholders' equity, EUR 1,000	Shareholders' equity	Number of shares	Nominal value EUR/share	Shares/holdings nominal value 31 Dec 2019, EUR 1,000, total	Book value, 31 Dec 2019, EUR 1,000	Profit/loss according to the latest financial statements, EUR 1,000
Investments 2019								
OTHER SHARES AND HOLDINGS								
Asunto Oy Helsinginkatu 15, Helsinki	17.73			1,532	1.68	3	369	
Kiinteistö Oy Karakeskus, Kouvola	4.60			5,013	0.17	1	7	
Kiinteistö Oy Keritori, Kerimäki	9.76			332	1.68	1	63	
Kiinteistö Oy Kolarin Ylläs Chalets VII				122			244	
Kontulan Ostoskeskus Oy, Helsinki	9.46			745	68.62	51	673	
Asunto Oy Nilsian 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	35	
Kiinteistö Oy Pyhäsalmen Liiketalo, Pyhäsalmi	16.00			288	1.68	0	60	
Savonlinnan Linja-autoasema Oy, Savonlinna	10.47			1,540	168.19	259	50	
Kiinteistö Oy Siilinjärven Torikalla, Siilinjärvi	19.22			36,520	0.17	6	135	
Tahko Golf Club Aoy, A 597							9	
Tahko Golf Club Aoy, A 1044							9	
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	
Palpa							8	
Total other shares and holdings						472	2,948	
Other non-itemised shares and holdings (in telephone companies)							0	
TOTAL OTHER SHARES AND HOLDINGS							2,949	
TOTAL SHARES							31,060	

# NOTES TO THE BALANCE SHEET

## 4 Current assets

	ALKO GROUP		ALKO INC	
MEUR	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>4.1 Cash and cash equivalents</b>				
Store cash registers	10.8	11.8	10.8	11.8
Commercial papers	0.0	0.0	0.0	0.0
Bonds	8.7	18.9	8.7	18.9
Funds	73.3	54.9	73.3	54.9
Bank accounts	19.2	31.3	19.2	31.2
<b>Total cash and cash equivalents</b>	<b>112.0</b>	<b>116.9</b>	<b>112.0</b>	<b>116.8</b>
<b>4.2 Difference in the market and book values of bonds</b>				
Market value of financial securities	8.9	18.5	8.9	18.5
Book value of financial securities	8.7	18.9	8.7	18.9
<b>Difference</b>	<b>0.2</b>	<b>-0.4</b>	<b>0.2</b>	<b>-0.4</b>
<b>4.3 Inventories</b>				
Finished products and goods	76.8	75.6	76.8	75.6
Advance payments on inventories	0.7	0.8	0.7	0.8
<b>Total inventories</b>	<b>77.5</b>	<b>76.5</b>	<b>77.5</b>	<b>76.5</b>
<b>4.4 Other non-current receivables</b>				
Other	1.7	1.7	1.7	1.7
<b>Total other non-current receivables</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>

	ALKO GROUP		ALKO INC	
MEUR	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>4.5 Current receivables from Group companies</b>				
Current accounts receivable			0.0	0.0
Current prepaid expenses and accrued income			0.1	0.1
<b>Total current receivables from Group companies</b>			<b>0.1</b>	<b>0.1</b>
<b>4.6 Current receivables</b>				
Accounts receivable	16.4	12.4	16.4	12.4
Current prepaid expenses and accrued income (from others)	3.4	2.6	3.4	2.6
Other	0.2	0.2	0.1	0.1
<b>Total current receivables</b>	<b>20.0</b>	<b>15.2</b>	<b>20.0</b>	<b>15.2</b>
<b>CURRENT RECEIVABLES</b>	<b>20.0</b>	<b>15.2</b>	<b>20.0</b>	<b>15.2</b>
<b>4.7 Major items in prepaid expenses and accrued income</b>				
Income tax receivables	2.4	1.2	2.4	1.2
KELA compensation for occupational health care	0.6	0.6	0.6	0.6
Employer insurance contributions	0.0	0.3	0.0	0.3
Interest receivables	0.1	0.3	0.1	0.3
License and maintenance fees for 2019	0.2	0.0	0.2	0.0
Other prepaid expenses and accrued income	0.2	0.2	0.2	0.2
<b>Total</b>	<b>3.4</b>	<b>2.6</b>	<b>3.4</b>	<b>2.6</b>



# NOTES TO THE BALANCE SHEET

## 5 Shareholders' equity

### 5.1 STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

#### ALKO GROUP

Change in shareholders' equity 2018 MEUR	Share capital	Other funds	Profit funds	Total
EQUITY, 1 JAN	16.8	1.8	68.4	87.0
Distribution of dividend			-32.0	-32.0
Transfers between items, fund for wellbeing at work		-0.3	0.3	0.0
Profit for financial year			37.1	37.1
<b>TOTAL EQUITY, 31 DEC</b>	<b>16.8</b>	<b>1.5</b>	<b>73.7</b>	<b>92.0</b>

Change in shareholders' equity 2019 MEUR	Share capital	Other funds	Profit funds	Total
EQUITY, 1 JAN	16.8	1.5	73.7	92.0
Distribution of dividend			-30.0	-30.0
Transfers between items, fund for wellbeing at work		-0.1	0.1	0.0
Profit for financial year			32.7	32.7
<b>TOTAL EQUITY, 31 DEC</b>	<b>16.8</b>	<b>1.4</b>	<b>76.5</b>	<b>94.7</b>

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

#### ALKO INC

Change in shareholders' equity 2018 MEUR	Share capital	Other funds	Profit funds	Total
EQUITY, 1 JAN	16.8	1.8	67.5	86.1
Distribution of dividend			-32.0	-32.0
Transfers between items, fund for wellbeing at work		-0.3	0.3	0.0
Profit for financial year			37.0	37.0
<b>TOTAL EQUITY, 31 DEC</b>	<b>16.8</b>	<b>1.5</b>	<b>72.8</b>	<b>91.2</b>

Change in shareholders' equity 2019 MEUR	Share capital	Other funds	Profit funds	Total
EQUITY, 1 JAN	16.8	1.5	72.8	91.2
Distribution of dividend			-30.0	-30.0
Transfers between items, fund for wellbeing at work		-0.1	0.1	0.0
Profit for financial year			31.9	31.9
<b>TOTAL EQUITY, 31 DEC</b>	<b>16.8</b>	<b>1.4</b>	<b>74.8</b>	<b>93.0</b>

### 5.2 DISTRIBUTABLE EARNINGS

ALKO GROUP			ALKO INC	
MEUR	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Retained profit			42.8	35.5
Profit/loss for financial year			31.9	37.0
Transfer from other funds			0.1	0.3
Total adjustments			0.1	0.3
<b>Distributable earnings</b>			<b>74.8</b>	<b>72.8</b>

# NOTES TO THE BALANCE SHEET

## 6 Obligatory provisions

	ALKO GROUP		ALKO INC	
MEUR	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Rent liability for vacant premises	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>7. Liabilities</b>				
<b>7.1 Current liabilities to Group companies</b>			0.0	0.0
Accounts payable to Group companies			0.0	0.0
<b>7.2 Current liabilities</b>				
Accounts payable	139.9	141.9	139.8	141.9
Accrued expenses and deferred income	17.8	19.0	17.8	18.9
Other liabilities	11.4	9.9	11.4	9.9
Advances received	0.0	0.0	0.0	0.0
<b>Total</b>	<b>169.1</b>	<b>170.8</b>	<b>169.0</b>	<b>170.7</b>
<b>CURRENT LIABILITIES</b>	<b>169.1</b>	<b>170.8</b>	<b>169.0</b>	<b>170.7</b>

	ALKO GROUP		ALKO INC	
MEUR	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>7.3 Major items in accrued expenses and deferred income</b>				
Accrual of salaries, including social insurance costs	17.5	18.3	17.5	18.3
Accrual of employer insurance contributions	0.0	0.2	0.0	0.2
Accrual of income tax	0.0	0.0	0.0	0.0
Accrual of bank charges and credit card commissions	0.1	0.1	0.1	0.1
Deliveries from abroad	0.1	0.3	0.1	0.3
Invoices to be recognised in next financial period	0.0	0.0	0.0	0.0
Other current accrued expenses and deferred income	0.1	0.0	0.0	0.0
<b>Total</b>	<b>17.8</b>	<b>19.0</b>	<b>17.8</b>	<b>18.9</b>



# NOTES TO THE BALANCE SHEET

## 8 Other notes

Securities given, contingencies and other liabilities  
Other securities given

	ALKO GROUP		ALKO INC	
8.1 Leasing liabilities MEUR	2019	2018	2019	2018
Payable the following year	1.0	0.7	1.0	0.7
Payable later	0.6	0.7	0.6	0.7
Total	1.7	1.5	1.7	1.5

	ALKO GROUP		ALKO INC	
8.2 Rent liabilities MEUR	2019	2018	2019	2018
Payable the following year	13.7	13.8	13.7	13.8
Payable later	2.0	2.3	2.0	2.3
Total	15.7	16.1	15.7	16.1

# KEY FIGURES

	ALKO GROUP					ALKO INC				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
Net sales, EUR million	1,144.1	1,153.7	1,174.8	1,162.8	1,159.0	1,144.0	1,153.6	1,174.8	1,162.7	1,158.9
Operating profit, EUR million	40.7	46.0	53.0	47.3	48.8	40.1	46.0	52.6	46.6	49.7
Proportion of net sales, %	3.6	4.0	4.5	4.1	4.2	3.5	4.0	4.5	4.0	4.3
Profit before appropriations and taxes	40.7	46.4	51.6	48.6	49.5	40.0	46.4	51.2	47.8	50.4
Proportion of net sales, %	3.6	4.0	4.4	4.2	4.3	3.5	4.0	4.4	4.1	4.3
Return on equity, %	35.0	41.4	50.4	51.0	51.0	34.6	41.8	50.4	49.6	51.7
Return on investment, %	43.5	51.1	64.2	63.5	64.1	44.0	52.3	65.4	62.1	64.8
Equity ratio, %	35.7	34.9	31.8	29.4	29.8	35.5	34.8	31.9	29.6	30.3
Current ratio	1.2	1.2	1.2	1.1	1.2	1.2	1.2	1.2	1.1	1.2
Gross investments in fixed assets, EUR million	8.4	10.5	8.1	8.5	4.8	7.6	10.1	7.9	7.4	4.7
Proportion of net sales, %	0.7	0.9	0.7	0.7	0.4	0.7	0.9	0.7	0.6	0.4
Average number of personnel during the financial year	2,466	2,452	2,401	2,385	2,415	2,466	2,452	2,401	2,385	2,415

## FORMULAS FOR THE KEY FIGURES

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

\*) average figures have been calculated as averages for the beginning and end of the period



# THE BOARD OF DIRECTORS' PROPOSAL ON THE DISTRIBUTION OF PROFIT

The proposal is to transfer EUR 149,094.95 from the other equity fund to the unrestricted equity fund to cover the costs of improving wellbeing at work.

The parent company's distributable funds at 31 December 2019 totalled EUR 74,825,548.71 (EUR 72,806,189.15), of which EUR 31,870,264.61 (EUR 37,045,661.55) is profit for the financial year.

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

Distributed as a dividend	30,000,000.00
To be retained under equity	44,825,548.71
	74,825,548.71

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

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

Helsinki, 19 March 2020  
Board of Directors

Harri Sailas  
Chair

Kuisma Niemelä

Pekka Perttula

Leena Laitinen  
President and CEO

Markku Tervahauta

Kirsi Paakkari

Ulrika Romantschuk

# AUDITOR'S REPORT

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

Helsinki, 19 March 2020

KPMG Oy Ab  
Firm of Authorised Public Accountants

Lasse Holopainen  
Authorised Public Accountant

# STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board of Alko Inc. has studied the company's financial statements and auditors' report for 2019 and proposes to the 2020 Annual General Meeting that the company's income statement and balance sheet for the 2019 financial year be approved. The Supervisory Board agrees with the Board of Directors' proposal for disposal of the profits.

Helsinki, 24 March 2020

Arja Juvonen

Hannakaisa Heikkinen

Outi Alanko-Kahiluoto

Kim Berg

Petri Honkonen

Pauli Kiuru

Ari Koponen

Mats Löfström

Jari Myllykoski

Tom Packalén

Sari Sarkomaa

Tuula Väättäinen





#### CONTACT INFORMATION

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