

**Responsible
enjoyment**



**Annual Report and Corporate
Social Responsibility Report 2020**



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Alko in brief

Alko's mission is to sell alcohol responsibly and to serve both our customers and Finland's welfare society as best we can. Our extensive selection brings the whole world to our customers' fingertips. Together, we want to create a responsible food and drink culture in an impartial and non-discriminatory manner. We measure our social approval using the Opinions on Alcohol Policy survey commissioned by the National Institute for Health and Welfare. Alko's approval rating stood at 60 (62) per cent in 2020.

- 126 pick-up points
- 12,505 beverages
- 780 beverage suppliers
- EUR 967 million in alcohol tax and VAT
- Equity ratio: 36.8%
- State ownership: 100%
- Established: 1932
- Head office: Helsinki, Finland

Key figures 2020



Personnel
(employees on average)

2,454
(2,466)



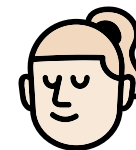
Million customer visits

57.2
(54.3)



Number of stores

364
(361)



Success rate in age-limit mystery shopping

97.9
(96.3)



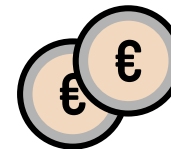
Total sales
(million litres)

92.7
(82.1)



Taxable net sales
(EUR million)

1,296.7
(1,144.0)



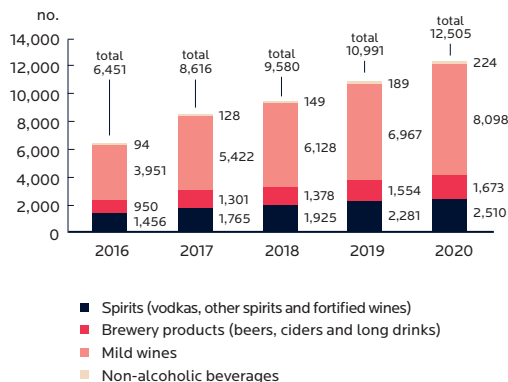
Profit for financial year
(EUR million)

50.9
(31.9)

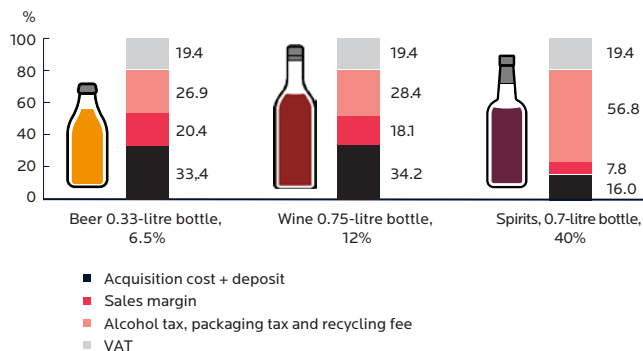


NUMBER OF PRODUCTS BY PRODUCT GROUP

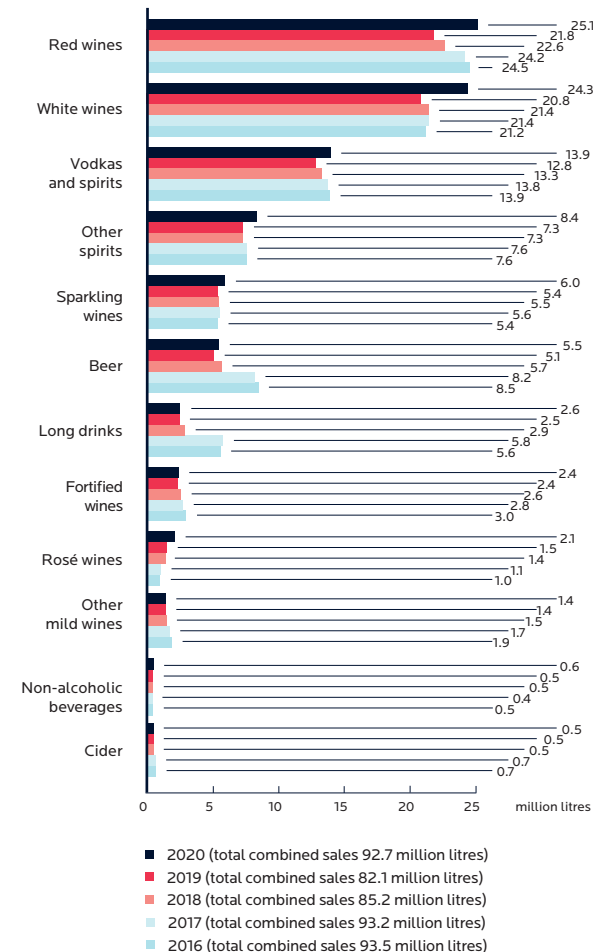
The figures include all products sold and all bottle and package sizes.



PRICE FORMATION FOR ALCOHOLIC BEVERAGES



SALES BY PRODUCT GROUP



ALKO BY REGION 2020

	Number of employees during the year	Number of stores	Number of customer visits (million)	Success rate for age-limit checks during test shopping, target 96 (%)	Alcohol tax and VAT from sales (EUR million)	Growth in online shop pickups (%)	Percentage of stores' total sales in litres
Uusimaa	996	84	18.1	98.4	236.1	118.0	32.1
Southwest Finland	309	31	5.1	98.9	74.0	97.1	9.4
Satakunta	128	16	2.2	97.9	33.5	76.5	3.8
Kanta-Häme	131	11	1.7	100	25.3	87.6	3.2
Pirkanmaa	318	31	5.5	100	73.8	92.4	9.2
Päijät-Häme	123	17	2.3	98.0	31.1	92.5	3.8
Kymenlaakso	124	12	1.8	97.2	26.2	80.1	3.3
South Karelia	90	9	1.4	96.3	19.5	74.9	2.4
South Savo	131	15	1.6	97.8	23.9	88.2	2.9
North Savo	159	17	2.5	98.0	36.9	75.9	4.4
North Karelia	78	11	1.5	93.9	22.5	74.8	2.5
Central Finland	160	21	2.8	100	39.6	86.8	4.8
South Ostrobothnia	112	16	1.7	97.9	24.9	90.7	2.7
Ostrobothnia	92	8	1.3	100	20.5	84.1	2.6
Central Ostrobothnia	54	4	0.6	83.3	9.8	84.8	1.1
North Ostrobothnia	215	26	3.6	100	52.2	93.6	6.0
Kainuu	54	9	0.9	100	12.7	61.9	1.4
Lapland	158	24	2.2	90.3	34.3	58.2	3.8
Aland Islands	22	2	0.2	100	4.4	122.0	0.6



Highlights of 2020

January

Alko awards a grant to the Sports Club of the Year, Lahden Suunnistajat -37, in recognition of the club's great sense of community spirit.
→ alko.fi

The Life Education Foundation and Alko release *Harold*, a game that encourages children and young people to make everyday choices that promote health and wellbeing.
→ alko.fi

February

A new store in the Willa shopping centre in Hyvinkää.
→ alko.fi

March

Alko starts taking measures to ensure safe shopping and working conditions to curb the spread of the coronavirus.
→ alko.fi

Alko offers its suppliers the opportunity for shorter payment terms, and will pay their sales invoices more quickly than usual if desired.

In March, total sales in terms of litres rise by 9.3 per cent as a result of the coronavirus pandemic.
→ alko.fi

A new store in the Seppä shopping centre in Jyväskylä.
→ alko.fi

April

Alko is involved in the Family Peace corps, and donates EUR 50,000 to a campaign to support families of limited means.
→ alko.fi

Alko signs a cooperation agreement with the IUF and Service Union PAM to promote social responsibility in the supply chain.
→ alko.fi

May

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

June

Use of the environmentally responsible packaging symbol is extended to spirits and brewery products.
→ alko.fi

Don't let a drop become an ocean – our responsibility theme encourages people to consider their own alcohol use and its associated habits.
→ alko.fi

July

Alko adjusts in-store displays in response to the growth in demand for products from small producers.
→ alko.fi

Alko introduces plastic bags made from 80 per cent recycled plastic.
→ alko.fi

August

Alko expands its wine bag collection network to cover almost the entire country.
→ alko.fi

A new store in the Myllypuro district of Helsinki.
→ alko.fi

September

FASD day 9 September Alko stores open their doors nine minutes later than normal. R-kioski and S Group stores are also involved in the campaign.
→ alko.fi

Alko introduces Alkotoive. Customers can request their favourite drink to be stocked by their chosen store.
→ alko.fi

A new store in the Jakomäki district of Helsinki.
→ alko.fi

October

Alko and Edumar publish *The Elderly and Alcohol*, a new online training course aimed at healthcare professionals, and hold a webinar on the topic.
→ alko.fi

November

Alko's customer service is ranked number one in the KAP survey for the twelfth year in a row. Alko's strengths are speedy shopping and its friendly and expert service.

December

Alko continues to support Family Peace over Christmas. A total of EUR 78,000 is donated to help children, families with children, and the homeless.
→ alko.fi

At the end of the year, the online shop had more than 150,000 registered customers and the mobile app had 100,000 users.

Alko achieves its all-time best success rate in sales supervision: 97.9 per cent.

President and CEO's Review

Behind us lies a bizarre year marked by the coronavirus – one which I am sure we will remember for a long time. Although Alko's sales in litres increased, total alcohol consumption* fell, which is good news. Our goals remain the same: world-class service and responsible operations.

The past year will no doubt be etched on everyone's minds due to the pandemic. Yet in spite of the exceptional nature of the year, our objectives have remained unchanged: to provide our customers with the best possible service, to tell people about the role beverages play in food and drink culture, and to operate responsibly. Our responsibility efforts are strongly reflected in our everyday actions. Remote training kept our personnel's expertise up-to-date. We assured product safety by analysing 1,700 products from Alko's selection in our laboratory, and we shouldered our responsibility for the environment through a variety of projects, such as launching a carbon-neutral product symbol. We also took part in projects to enhance wellbeing in collaboration with a variety of organisations. These efforts encompass people, the environment and the economy.

Ensuring the safety of our personnel and customers has been a priority during the coronavirus pandemic. We took a variety of measures to ensure safe shopping. During peak seasons, we limited the number of customers that could visit a store at any one time. Our customers were understanding and supportive of these measures considering the exceptional circumstances.

And development did not stop either. In spite of the coronavirus pandemic, we completed significant development projects aimed at ensuring operational

efficiency and smooth shopping for customers. We moved firmly forward with our strategy, mirroring our measures to the changing operating environment. Our work to promote efficiency, responsible operations and the customer experience will also continue this year.

In accordance with our network plan, we opened new stores in Hyvinkää, Jyväskylä, and the Jakomäki and Myllypuro districts of Helsinki. Our customers increasingly took advantage of online services, and the number of orders placed via our online shop grew by more than 90 per cent. In the autumn, we launched Alkotoive, a service through which customers can request products to be stocked in their local store. Our customers were delighted with the new service and we received more than 15,000 requests by the end of the year – and about a fifth of these can already be found on store shelves.

We continued to engage in open dialogue with suppliers and small producers, and looked for ways to get through the exceptional circumstances together. In the spring, we immediately offered our suppliers shorter payment terms on their sales invoices. Small producers were also able to register their products for sale in 20 stores and the online shop free of charge instead of the usual 10 stores and the online shop. People holidayed in various areas of our beautiful homeland during the



coronavirus pandemic, and our customers were able to find hidden gems from microbreweries and other small producers in our stores and in-store displays.

The coronavirus increased our sales, as some of the alcohol that had previously been acquired through bars, restaurants and travellers' private imports was instead purchased via Alko. However, according to the statistics, total consumption of alcohol in Finland fell* during the coronavirus pandemic and its restrictions – which is a good thing. We sold a total of 92.7 (82.1) million litres of beverages during the year. Alko's net sales including alcohol tax totalled EUR 1,296.7 (1,144.0) million. Sales increased in all product groups. The cost of the average purchase rose by 9.0 per cent on the previous year. Our sales generated total revenue of EUR 967.4 million in alcohol tax and VAT, which is EUR 107.2 million more than in 2019.

It is always important to drink alcohol responsibly – even during exceptional circumstances. In early April, we were involved in enabling the *Declaration of Family Peace*. This initiative is being run by the A-Clinic

Foundation and the City of Helsinki, and seeks to draw attention to preserving domestic peace during the coronavirus pandemic. As part of our family peace work, we donated a total of EUR 100,000 to the *Lunch for Every Child* campaign during the year.

I would like to warmly thank our personnel, customers, goods suppliers and other stakeholders for accompanying us on this shared journey during an historic year marked by the coronavirus. By working and developing together, we can make further progress in 2021.

Leena Laitinen
President & CEO

* Restricting the availability of alcohol reduced the combined volume of alcohol sold in Finland and imported from abroad compared to the previous year. The National Institute for Health and Welfare will publish the full-year consumption statistics (total consumption in terms of pure alcohol by those aged 15 and above) in April 2021.

Alko's direction

ALKO'S DIRECTION

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This responsibility is reflected in daily life at Alko in many ways

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

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

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

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

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

Our primary mission is to sell alcohol responsibly, not to sell as much alcohol as possible.



Responsible enjoyment



1. Controlling the availability of alcohol with opening hours and the number of stores.
2. Cooperation to mitigate the harmful effects of alcohol. Support for alcohol research.
3. Responsible customer service: sales supervision, Concern Card and purchase ban agreement.

4. Communications about alcohol and health.
5. Responsible pricing. Balanced product displays.
6. Non-alcoholic and low-alcohol products, and small package sizes.

7. Promoting the culinary arts and drinking culture through multiple channels.

Coronavirus accelerates changes in the operating environment

The trends that are affecting Alko's operations include digitalisation; changes in customer needs and habits; the increasing significance of responsibility, sustainability and wellbeing; the climate crisis; and continuing changes in working life.

The coronavirus pandemic had a significant impact on alcohol distribution channels during 2020. Sales of alcohol via Alko and grocery stores increased due to restrictions on licensed premises and a fall in private imports by travellers. Statistics indicate that total consumption has been declining*. According to a study by the National Institute for Health and Welfare, alcohol consumption in Finland is highly polarised: just under ten per cent increased their consumption, while just over ten per cent reduced their consumption.

The digitalisation of business and society has accelerated significantly during the coronavirus pandemic. More and more consumers have been trying out online services. Alko customers have also started shopping online regularly, and the online shop's order volume almost doubled. Expectations for future shopping have changed. Customers will continue to expect smoother multichannel service, easy payment options, and opportunities to shop regardless of time and place. Numerous safety measures were introduced in stores to prevent the spread of the coronavirus, and some may remain as permanent fixtures.

Both locally produced products and familiar products have increased in popularity during the pandemic. The health and wellbeing trend is still

going strong and is being reflected as an interest in non-alcoholic beverages. Customers have also been interested in smaller bottles, low-alcohol products and low-sugar options. Consumers' product and service expectations will continue to diversify and become more personalised.

In accordance with the recommendations, Alko personnel who are able to work remotely have done so during the pandemic. Physical meetings are still considered to be important with a view to innovation and maintaining a sense of community. These changes in the way we work are set to continue in society in general. Work will increasingly be done in multiple locations, with people working in the most suitable place and most suitable manner.

When it comes to responsibility, consumers are expecting concrete action to curb climate change. There is even more demand for openness and transparency throughout the entire supply chain, so that customers can make responsible product choices.

* Restricting the availability of alcohol reduced the combined volume of alcohol sold in Finland and imported from abroad compared to the previous year. The National Institute for Health and Welfare will publish the full-year consumption statistics (total consumption in terms of pure alcohol by those aged 15 and above) in April 2021.





The health authorities approved several coronavirus vaccines at the turn of 2020–2021. It is likely that vaccinations will lead to an improvement in the pandemic situation, and that business will normalise with respect to bars, restaurants and travel by the end of the year. According to the forecasts, economic development will remain very moderate in early 2021 as a consequence of the coronavirus pandemic, but growth is expected to resume towards the end of the year.

The tax on alcoholic beverages did not rise in 2020, but it was increased at the beginning of 2021. It is still difficult to assess the impact that various factors will have on Alko and the Finnish alcohol market in general, that is, the increase in alcohol tax, uncertainty in the economy, ongoing restrictions on travel, and any potential changes in alcohol policy in neighbouring countries.

How was the coronavirus reflected in Alko's operations in 2020?

- The coronavirus team, which consisted of the Management Team and the Safety Manager, monitored the situation and made decisions to ensure the safety of customers and personnel on the basis of official guidelines.
- Plexiglass shields were installed at checkouts and staff started wearing face masks. Hand hygiene and cleaning were also stepped up in stores, and customers were provided with guidance on how to shop safely.
- Changes occurred in Alko's sales channels. Sales of alcohol via Alko and grocery stores increased due to restrictions on travel and licensed premises. Total alcohol consumption fell*.
- Some changes were seen in customers' purchasing behaviour during the pandemic. The number of customers varied greatly by day and between stores.
- Customers showed greater interest in online shopping. Both the number of new customers registering for the online shop and the number of online orders almost doubled on the previous year.
- Alko's office staff primarily switched to remote working in line with the recommendations.
- Development projects to streamline customer service, improve efficiency and promote responsibility progressed according to plan.

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Our strategy revolves around the most responsible way to sell alcohol in the world

Alko's mission is: the most responsible way to sell alcohol in the world. We enhance the Alko customer experience, while taking into consideration the task assigned to us, that is, to sell alcohol responsibly. In line with our strategy, we provided customers with world-class service.

Alko's strategy consists of four areas:

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

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

Don't let a drop become an ocean – a pioneer in responsibility

Alko's business is founded on selling alcohol responsibly, as the consumption of alcohol carries social and health-related risks for both individuals and society as a whole. Alko's role also lies at the heart of our responsibility efforts. We take an uncompromising approach to sales supervision in our service network. In collaboration with a number of partners, we take action to promote wellbeing and prevent social exclusion in Finland.

We promote Finnish food and drink culture by helping our customers to find suitable beverages for

different situations. We offer responsible beverage options: non-alcoholic and low-alcohol beverages, and small package sizes. We also ensure that the products we sell are safe.

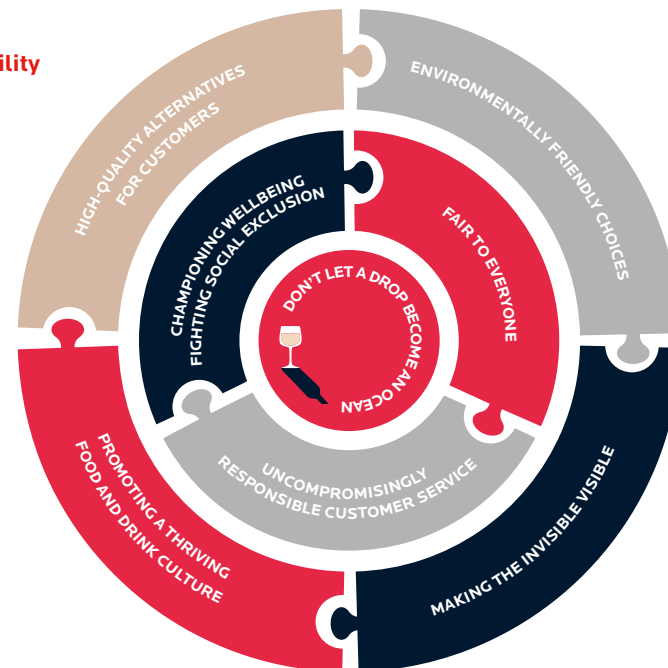
We are developing our operations in a more environmentally sustainable direction, and are seeking to reduce harmful environmental impacts. We work to increase transparency in the supply chain, so that our customers can make choices that work in the best interests of both the environment and the workers and communities involved in primary production. We promote responsibility and ethics in the supply chain in cooperation with our stakeholders.

We act as an example of how all of our customers, employees and other partners are treated equally, transparently and without discrimination. We communicate openly about our responsibility efforts and their effectiveness.

Responsibility is managed in a target-oriented manner in seven areas. They cover all the areas of Alko's operations from people to the environment and the economy.

In 2020, we updated the focal areas of our responsibility efforts as part of Alko's strategy update. Accelerating climate change and the outbreak of a global pandemic have further increased our stakeholders' expectations with respect to responsibility. We were also led to update our long-term

Areas of responsibility



responsibility objectives for 2030 by the government's updated ownership steering principles; international agreements and commitments; and planned Finnish corporate social responsibility legislation.

World-class service – commendable contacts

We want to provide our customers with expert and cheerful service – commendable contacts. In our stores and customer service, there is a person present who listens, makes suggestions, and creates happy customers by finding suitable solutions. We take a direct approach and want to leave our customers with a good impression.

We want to provide our customers with the world in a glass: a diverse selection that is in tune with the zeitgeist and suitably combines chain management with a local approach. Maintaining smooth service and good network coverage will continue to be a priority.

Success through enthusiasm

We will continue to strengthen our personnel's expertise and develop competence. We are enhancing leadership and supervisory work. At Alko, diversity and differences are strengths that we harness. We build our culture through our everyday work. Working together, clarity and impact can also be seen by our customers.

Responsibility targets for 2030, supported by other strategic targets

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

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

Top 10 placing in the Confidence & Reputation survey Impact studies

UNCOMPROMISINGLY RESPONSIBLE CUSTOMER SERVICE

Sales supervision carried out in stores 100% supported by technical solutions



ENVIRONMENTALLY FRIENDLY CHOICES

Climate emissions from beverage packaging –50% compared to 2020

MAKING THE INVISIBLE VISIBLE

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

Alko's responsibility experts are inspired and inspiring

Agile and efficient – has economic impact

We are continuously improving and developing what we do, whether it's knowledge management or modernising tools. We pay attention to smooth work flows and try new things. Our teams can influence their own work, which speeds up both decision-making and implementation.

The revenue Alko collects via alcohol tax and VAT, and the profits it distributes, benefit everyone living in Finland.

Strategy honed together with personnel

Our current strategy was drawn up in 2018, and was honed together with Alko personnel in small groups and online workshops that were open to all employees. We

have already implemented and progressed with many of our planned strategic projects to ensure the smoothness and efficiency of our operations. In autumn 2020, we updated our strategy in response to the changes that the coronavirus pandemic has caused in our operating environment, such as breakthroughs in digitalisation, customers' more personalised expectations, and greater awareness of environmental impacts. Our strategy has retained its targets relating to customers, responsibility, personnel and efficiency.

It has also been supplemented with the Alko story and a target-oriented culture. Alko's significance was encapsulated in the slogan "Responsible enjoyment". Working together, clarity and impact are the cornerstones of Alko's culture.

STRATEGIC INDICATORS

Focal area	Objective	Indicator	2020 success	2020 targets
The most responsible way to sell alcohol in the world	Alko's approval rating	Opinions on alcohol policy (National Institute for Health and Welfare, Kantar TNS Oy): 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?	60%	62%
World-class service	Leading the way in customer experience	National Customer Service Feedback survey (KAP, Taloustutkimus) Selection satisfaction (Dagmar Drive)	8.53; 1st place in the retail sector 74.3 8.56	8.58 74.0 8.53
Don't let a drop become an ocean	A pioneer in responsibility	Confidence and Reputation survey, responsibility factor (T-Media) Team goals	3.35 82.5%	3.45 100%
Success through enthusiasm	The most desirable employer in the service sector	Pulse survey, Personnel Motivation Index Most Attractive Employer survey (Universum)	3.86 4th place	3.90 2nd place
Agile and efficient	Has economic impact	Costs/net sales External agility measurement (Accenture)	23.7% 3.3	26.7% 3.2

Responsibility management – effective action to promote wellbeing

Responsibility is managed in seven areas in line with Alko's strategy. These areas cover all of Alko's operations based on our special assignment as a responsible seller of alcohol.

We set long-term objectives for responsibility and draw up an annual action plan to support the achievement of these goals. The responsibility team draws up the action plan together with the responsibility working group. The working group is led by the Sustainability Manager, and its members are recruited from throughout the organisation. Working together as part of this group fosters personnel's engagement with our responsibility efforts and their development. The EVP Communications presents the action plan to the Management Team for discussion, after which the plan is also discussed by the Board of Directors and its Responsibility Committee. Alko's Supervisory Board approves the plan for the coming year. Each member of the Management Team is responsible for implementing the action plan and promoting responsible operating methods within their own business areas.

In addition to approving the responsibility plan for the following year, the Supervisory Board conducts an annual review of the responsibility measures that have been implemented. The Annual General Meeting reviews a summary of responsibility measures and their success, and decides on the recipients and maximum sum of Alko's annual donations.

The principles that govern our responsibility efforts include openness, transparency, ethics, stakeholder involvement, and a desire to influence the development of our sector both nationally and internationally as a proactive advocate for responsibility and sustainability. In accordance with these principles, discussion with stakeholders is an essential aspect of our responsibility efforts. To support our materiality matrix (2018), in 2020 we commissioned an impact analysis of the responsibility index in T-Media's Confidence and Reputation survey. Its results indicated that the factors that have the most significant impact on our corporate social responsibility image are our visible efforts to prevent





and remedy the harmful effects of alcohol consumption, our promotion of responsibility in food and drink culture, and highlighting cultural and geographical aspects of beverages. Conscientious compliance with legislation and regulations is also required of us. We are expected to sell only safe and carefully researched products, and to invest in training for personnel.

Responsibility is also highlighted through a number of themes in our various communications channels. These themes seek to increase awareness of Alko's responsibility efforts among stakeholders – and in particular customers – with some positive surprises along the way. At the same time, our staff put this responsibility into practice, thereby giving their work special meaning. In 2020, our communications

emphasised safe shopping. Other themes included *A lighter approach* – the calories contained in alcohol; *Don't let a drop become an ocean* – talking and thinking about alcohol use; our sales supervision campaign #todistaikäsi (#proveyourage); international FASD day; and *Quality is no accident*.

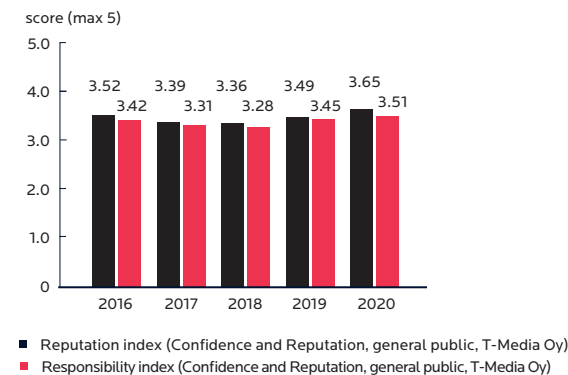
Alko's responsibility targets for 2030 also promote the objectives of eight of the UN's Sustainable Development Goals: 3 Good health and wellbeing, 6 Clean water and sanitation, 8 Decent work and economic growth, 12 Responsible consumption and production, 13 Climate action, 14 Life below water, 15 Life on land, and 17 Partnerships for the goals. Promoting sustainable development objectives is also part of the cooperation between Alko and the other Nordic alcohol monopolies.

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



Alko's responsibility programme also covers environmental issues. Its implementation is led by the Sustainable Development Manager, who works 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.

RESULTS OF THE CONFIDENCE AND REPUTATION SURVEY



Stakeholders – working together we are more

Cooperation with stakeholders is an essential aspect of our operations. Stakeholders' expectations steer the development of both our business and our responsibility efforts. We want to act as an example of how all of our stakeholders are treated equally, transparently and without discrimination.

Alko wants to be a proactive player in the community. We follow not only social debate but also the latest research, developments in environmental and social responsibility, and the creation and adoption of pioneering trends. Our stakeholder communications are open, unbiased and fact-based. We want to act as an example of how all of our customers, employees and other partners are treated equally, transparently and without discrimination.

Preventing the harmful effects of alcohol consumption is Alko's special mandate, and we do this by supporting Finnish alcohol research, making donations to preventive work, and implementing joint projects in cooperation with organisations and other partners. The latter includes cooperation projects with the National Institute for Health and Welfare, A-Clinic Foundation, Finnish Association for Substance Abuse Prevention (EHYT), Finnish Association on Intellectual and Developmental Disabilities, Life Education Foundation, Youth Academy and Finnish Olympic Committee. These projects to prevent the harmful effects of alcohol consumption vary in nature, but they all share a common goal – to promote wellbeing in society.

In 2020, the most significant cooperation projects to promote wellbeing were the FASD campaign in collaboration with the Finnish Association on Intellectual and Developmental Disabilities; participation in the *Declaration of Family Peace* with the A-Clinic Foundation; and promoting exercise, wellbeing and healthy lifestyles in collaboration with the Finnish Olympic Committee. In cooperation with the Life Education Foundation, we also released *Harold*, a game that encourages children and young people to make everyday choices that promote health and wellbeing.

FASD campaign for a sober pregnancy

Alko has already been partnering with the Finnish Association on Intellectual and Developmental Disabilities since 2015, by opening Alko stores nine minutes later than usual on 9 September to raise awareness about FASD.

The spectrum of fetal damage caused by alcohol is referred to using the acronym FASD (fetal alcohol spectrum disorders). In Finland, it is estimated that 600–3,000 children are born with some degree of alcohol-related damage each year.



Osallistumme kansainväliseen FASD-päivään, joka muistuttaa, että raskauden aikaiselle alkoholin käytölle ei ole turvarajaa.

SIKSI KE 9.9. ALOITAMME ALKOHOLIN MYYNNIN 9 MINUUTTIA MYÖHEMMIN.

kehitysvammaliitto.fi/fasd










In 2020, we once again challenged Finland's largest grocery store chains to join the FASD campaign. R-kioski and the S Group responded to Alko's challenge by starting the sale of alcohol nine minutes later than usual on FASD day and issuing customer communications advocating a sober pregnancy.

The campaign attracted greater interest than last year in all of Alko's communications channels, but particularly in social media, where posts received a total of more than 700,000 views.

We supported the preservation of family peace during the coronavirus pandemic

As a result of the coronavirus pandemic, children whose parents do not have the strength to deal with everyday life in exceptional circumstances were placed in a particularly vulnerable position. The absence of regular meals causes particular difficulties in families whose everyday life is also burdened by other challenges in addition to the pandemic.

Alko is involved in the peace corps for the Declaration of Family Peace launched by the A-Clinic Foundation. As part of this work, we donated to the *Lunch for Every Child* campaign, which gives food boxes to help families of limited means. The 1,100 food boxes purchased with Alko's contribution were distributed to families of limited means all across Finland via member organisations of the Federation of Mother and Child Homes and Shelters.

Cooperation to promote wellbeing and healthy lifestyles

Alko and the Finnish Olympic Committee want to promote exercise, wellbeing and healthy lifestyles for

all Finns, and in particular children and young people. Sports clubs also play an important role in preventing social exclusion among young people, as their activities help to create a sense of community and belonging.

For the sixth time, Alko presented the Sports Club of the Year award at the Finnish Sports Gala on 16 January 2020. The Uno trophy, a EUR 10,000 donation from Alko, and the title of Sports Club of the Year 2019 were awarded to Lahden Suunnistajat -37. The two other finalists – Lahjan Tytöt and Pallo-liröt – also received EUR 1,000 to support their activities.

Harold – a game that encourages children and young people to make smart choices

Harold is an educational game released by Alko and the Life Education Foundation. It is specifically targeted at children in Grades 4–6 and encourages them to make choices that promote wellbeing and healthy lifestyles. The game seeks to increase primary school pupils' awareness of the positive effects of a good night's sleep, healthy food and meaningful leisure-time activities. It also tells them about the harmful effects of intoxicants and helps young people to refuse intoxicants when they first encounter them. The first typical risk of social exclusion – and also of intoxicant use – occurs when a child moves from primary to secondary school.

Meetings with suppliers, policy makers and the media

Goods suppliers play an important role in putting Alko's strategy into practice. Together with Alko, domestic and international operators in the beverage industry ensure that Alko is able to offer its customers a diverse and high-quality selection that reflects demand. In addition

to developing our selection, we engage in cooperation to promote responsibility in the supply chain. Together, we look after the wellbeing of both people and the environment in our supply chain. This cooperation involves both individual suppliers and the Association of Alcoholic Beverage Suppliers in Finland (SAJK). Alko meets its suppliers at regular supplier events and at a variety of workshops and other meetings. We measure our suppliers' satisfaction with Alko's operations on an annual basis, and received a score of 8.09 (8.09) in 2020. The results indicate that our special strengths are Alko's service and our personnel's professional skills. The most critical areas for development relate to getting products into Alko's selection, Alko's reporting, and calls for new products.

We engage in open and fact-based dialogue with all actors in the community. For example, we talk with the media, political parties, and public-sector actors. We regularly meet with parliamentary groups and tell them about Alko's work and strategy. In 2020, we gathered a variety of organisations around the table to talk about young people's wellbeing. We organised a virtual regional roundtable discussion in Jyväskylä, during which we sought ways to prevent social exclusion among young people together with local organisations and public-sector actors. In autumn 2020, we conducted a survey of our partners to determine any changes in the operating environment and our partners' opinions on which themes Alko should focus on in the future with regard to preventing the harmful effects of alcohol, both in its own work and in cooperation with others. We held two meetups with our partners during the year, where we discussed topics such as ongoing responsibility projects and the future plans of both Alko and its partners.

Greater impact through cooperation between Nordic alcohol monopolies

All of the Nordic alcohol monopolies in Finland, Sweden, Norway, Iceland and the Faroe Islands have been tasked by law with the same special mandate: to reduce the harmful effects of alcohol consumption. This shared mission has for decades been the impetus for cooperation between the monopolies. Another objective that has been on their shared agenda since 2008 is to increase responsibility both in the supply chain and with regard to products in general. Nordic cooperation is currently promoted through three working groups that focus on specific themes: alcohol policy, social responsibility, and environmental responsibility. The CEOs approve the annual action plans for these working groups. The working groups then mobilise the plans in each country on a practical level. Greater impact is achieved with the aid of a common goal and communication with international parties in the supply chain.

SUPPORT FOR FINNISH RESEARCH AND OTHER DONATIONS 2020

	Amount (EUR)
Finnish Foundation for Alcohol Studies (alcohol research)	90,000
National Institute for Health and Welfare (Covid-19 impact study)	220,000
RESEARCH FUNDING, TOTAL	310,000
Alko-Altia pensioners (grants for club activities)	7,000
Hotel and Restaurant Museum Foundation (promoting a thriving food and drink culture)	25,000
<i>Christmas Cheer</i> collection (food gift cards for families in need, paid to the Mannerheim League for Child Welfare)	13,000
<i>Christmas Tree</i> collection (Christmas presents for children and young people in a disadvantaged position, paid to Kotimaanapu ry)	10,000
Veikko ja Lahja Hurstin Laupeudentyö ry (Christmas food donations for those of limited means)	5,000
OTHER DONATIONS, TOTAL	60,000
RESEARCH AND DONATIONS, TOTAL	370,000

SUPPORT FOR COLLABORATION PROJECTS THAT PROMOTE WELLBEING IN FINLAND 2020

	Amount (EUR)
A-Clinic Foundation (two projects: <i>Clearly Good Work</i> and <i>In the Company of Children</i>)	20,000
Törmä & Törmä oy (<i>Fragile</i> : performances and drama workshop model)	30,000
Edumar Oy (online training: <i>The Elderly and Alcohol</i>)	25,000
Finnish Association for Substance Abuse Prevention (EHYT) (<i>Clearly Good Work</i> project)	15,000
Federation of Mother and Child Homes and Shelters (support for families of limited means with children)	105,000
Helsinki Junior Chamber of Commerce (Police Officer of the Year)	3,500
Finnish Association on Intellectual and Developmental Disabilities (FASD cooperation)	5,000
Life Education Foundation (<i>Harold</i> , a wellbeing game for primary school children)	25,000
Mannerheim League for Child Welfare (expert cooperation)	5,000
Youth Academy (support for Mahis activities)	20,000
Keep the Archipelago Tidy Association and Keep Lapland Tidy Association (environmental cooperation)	13,000
Suomen Kunto ja Virkestys Oy (support for Finnish sports club activities)	88,000
Finnish Parents' League (expert cooperation)	7,000
National Institute for Health and Welfare (<i>Yhteiskuntapolitiikka</i> magazine)	15,000
Finnish Institute of Occupational Health (a report on alcohol and remote working)	50,000
TOTAL	426,500

STAKEHOLDER TABLE

Stakeholder	Listening to and involving stakeholders	Key responsibility themes for stakeholders	Examples of Alko's action
Customers	<ul style="list-style-type: none"> Listening to customers in stores and other channels Events and surveys for our panel of Advisors Customer satisfaction surveys National Customer Service Feedback survey (KAP) (Taloustutkimus) The sections of the <i>Opinions on Alcohol Policy</i> survey covering success in responsibility and customer service (National Institute for Health and Welfare) 	<ul style="list-style-type: none"> Nationwide multichannel service network High-quality and responsible product options, including Green Choice and ethical products Developing food and drink culture and providing product options that meet the wellbeing trend, such as non-alcoholic and low-alcohol beverages The responsible retail sale of alcohol Alcohol's health impacts 	<ul style="list-style-type: none"> Personal and responsible customer service in all channels Responsibility highly visible in stores and other channels Customers are able to make more responsible choices, such as smaller package sizes, non-alcoholic and low-alcohol products, Green Choice products and ethical products. #todistaikäsi (#proveyourage), a campaign to remind people about sales supervision and age-limit checks Communications about the effects of alcohol on health (campaigns such as <i>Don't let a drop become an ocean</i> and FASD day)
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"> Annual General Meeting Supervisory Board meetings Continuous stakeholder dialogue all across Finland Confidence and Reputation survey (T-Media) Continual dialogue with the authorities 	<ul style="list-style-type: none"> Alko engages in the responsible sale of alcohol in accordance with its mandate. Alko is a pioneer in responsibility. Alko keeps up with the times and is continually seeking new ways to develop its business in terms of both responsibility and other activities. 	<ul style="list-style-type: none"> According to the Government Resolution on State Ownership Policy issued on 8 April 2020, Alko must report the following to the Annual General Meeting: climate targets and any measures taken towards achieving them, and the achievement of other quantifiable social responsibility objectives and the measures taken towards achieving them. The Supervisory Board approves the responsibility 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. Alko openly and transparently communicates responsibility measures to its stakeholders. A virtual roundtable meeting with authorities and other actors in the anti-substance abuse sector in Jyväskylä Nationwide meetings with stakeholders in line with the company's operating methods
Associations and networks	<ul style="list-style-type: none"> Amfori BSCI's national and international activities <i>Stronger Together</i> collaboration Cooperation with civic organisations, personnel, and organisations in the environmental, social and health sectors Meetings with Nordic and North American alcohol monopolies National roundtable discussions 	<ul style="list-style-type: none"> Impacts of the climate crisis and the littering of natural environments Human rights and working conditions in the supply chain Cooperation and communications relating to the harmful effects of alcohol consumption 	<ul style="list-style-type: none"> We are reducing the impacts of the climate crisis and promoting human rights and working conditions in the supply chain in collaboration with industry organisations and the other Nordic alcohol monopolies. Competence development and supervision in beverage production facilities and primary production Profits from the sale of Välivesi are used to support the Keep the Archipelago Tidy Association. We cooperate with organisations in the health and social welfare sector on a number of programmes aimed at reducing the harmful effects of alcohol consumption. Support for alcohol research
Personnel	<ul style="list-style-type: none"> Meetings with management Pulse personnel survey Team meetings in stores, coaching, target and competence discussions, participation in projects and development work HR indicators and reports Coaching for supervisors 	<ul style="list-style-type: none"> Opportunities for staff to participate in a variety of projects and Alko's development as a whole Responsible customer service and product expertise as part of sales work Diversity Personnel wellbeing, trends in sickness absences, and working capacity management, Good Mental Health theme year Personnel turnover, availability of new personnel, and safeguarding competence 	<ul style="list-style-type: none"> We want to be the most attractive employer in the service sector. We want to offer meaningful work and inspiring working conditions that enable success. We want our employees to be genuinely proud of working at Alko. 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. Making diversity our strength: understanding equality and diversity, systematic development, communications and discussions on the topic At Alko, responsible leadership is a key leadership skill. Safety measures during the coronavirus pandemic and providing supervisors with support for leadership in exceptional circumstances Services to support working capacity and competence development in working capacity management Good mental health was the theme of the year: communications and meetings on the topic, plus the provision of support when required Competence requirements for sales staff contain different perspectives on responsibility and Alko's responsibility targets Passing the test to obtain a sales supervision passport and other online training relating to Alko's responsible role and mission We are involved in the <i>Responsible Summer Job</i> campaign.

STAKEHOLDER TABLE

Stakeholder	Listening to and involving stakeholders	Key responsibility themes for stakeholders	Examples of Alko's action
Goods suppliers	<ul style="list-style-type: none"> Meetings, events and visits to producers as part of our cooperation with goods suppliers Seminars, audits and training as part of our responsibility-related cooperation Good supplier surveys Cooperation with other stakeholders, such as the Association of Alcoholic Beverage Suppliers in Finland (SAJK) and the Small Brewery Union. 	<ul style="list-style-type: none"> The growing importance of responsibility for both business in the alcoholic beverage industry and consumers: in particular, the importance of organic and ethical certification, and an even broader and more transparent overall approach to responsibility in the future Product quality assurance and cooperation on responsible procurement with suppliers 	<ul style="list-style-type: none"> Open and diverse cooperation The entire supply chain must comply with the operating model for responsible procurement Product quality assurance through sensory evaluation and chemical testing A Nordic webinar on Water and Human Rights Expanding our customer communications on Green Choice products; expanding the labelling of environmentally responsible packaging to spirits and brewery products Responsibility visits in Portugal
Lessors	<ul style="list-style-type: none"> Annual meetings Reviews of investment plans and schedules 	<ul style="list-style-type: none"> Environmental perspectives, such as resource efficiency Equal treatment of partners 	<ul style="list-style-type: none"> The lease model includes perspectives and practices relating to indoor air and energy efficiency Open supply model for premises Making more efficient use of space in stores using a customer- and selection-oriented approach Our new store concept pays attention to energy savings and the use of existing structures, surfaces, equipment, devices, fixtures and fittings whenever they are in good condition and it is otherwise possible.
The media	<ul style="list-style-type: none"> Media conferences Supplier tastings Media briefings 	<ul style="list-style-type: none"> Open and transparent communications about Alko's activities 	<ul style="list-style-type: none"> Comprehensive and transparent communications about Alko's activities Sales reports Annual Report

ALKO'S ASSOCIATION MEMBERSHIPS

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

INTERNATIONAL ORGANISATIONS

Amfori Network Finland, Chair: Marja Aho, Sustainability Manager

OTHER ASSOCIATIONS, ORGANISATIONS AND COMMUNITIES

Service Sector Employers PALTA, Member of the Board: CEO Leena Laitinen
Member of the Labour Market Committee: Heli Hassinen-Biberger,
Executive Vice President, Human Resources
Suomen Palautuspakkaus Oy, Member of the Board: Tino Battilana, Supply Chain Manager
Suomen Keräyslasiyhdistys ry, Member of the Board: Maritta Iso-Aho, Executive Vice President, Communications
Finnish Foundation for Alcohol Studies, Member of the Board: Ilari Ceder, Public Affairs Manager
Hotel and Restaurant Museum Foundation, Members of the Advisory Board: Marja Aho, Sustainability Manager and Sari Karjalainen, Marketing Manager
Confederation of Finnish Industries EK, Member of the Finance and Tax Committee: Anton Westermarck, Executive Vice President, Finance
EU18 subdivision for wine and alcohol matters at the Ministry of Agriculture and Forestry: Jaakko Pirhonen, Chemist and Susanna Videnoja, Quality Manager



Safety and responsibility a priority in stores

"The coronavirus pandemic changed business and operating methods at Alko stores in many ways. The safety of our customers and staff was always a priority," says Regional Manager **Tatu Vanninen**.

Although the exceptional nature of the year was reflected in Alko's operations in many ways, our store and personnel targets remained unchanged. When the restrictions caused by the pandemic caused significant disruption to the functioning of society, a great deal of work was done in Alko stores to ensure that our responsibility targets could be achieved even during exceptional circumstances.

"When on-trade sales and travellers' imports decreased, it increased the pressure on sales at Alko and in grocery stores. Personnel did a great deal of work to ensure responsible sales, and this resulted in our best-ever success rate in age-limit checks. That's something to be proud of," says Tatu Vanninen, Regional Manager for the capital city region.

The result for age-limit checks is particularly good considering the mask recommendations made in the autumn, as they also had an impact on sales supervision. Sales staff had to ask customers to remove their mask, so they could verify the customer's age by comparing their face to the photo on their ID.

Safety a priority

The safety of our customers and personnel was a priority in all of our operations. Masks and visors were introduced in stores, plexiglass shields were installed at checkouts, hand sanitiser and disinfectant towels were made available, and customers were asked to keep a safe distance from each other. "Customer numbers had to be limited on an almost weekly basis in some stores

in the capital city region, and also in many other stores during the busiest seasons," says Vanninen.

The distribution of sales volumes between stores differed from normal, as fewer people were going to work and therefore shopped closer to home. For example, sales volumes at stores in downtown Helsinki experienced a clear decline. This meant that shifts had to be rearranged and staff had to be moved from one place to another.

"However, we wanted to keep all of our stores open to avoid the congestion that would have likely occurred in the remaining stores," says Vanninen.

From uncertainty to success

Regional managers provide comprehensive leadership and assistance to operations in their area. Spring 2020 was strongly marked by uncertainty about what would happen: would staff fall ill or would people lose their jobs? This uncertainty increased the need for communication and discussion, but at the same time, restrictions reduced face-to-face encounters in favour of virtual meetings.

"With all the worries and concerns, it turned out to be an interesting year. I think we were able to respond very successfully to the changes and pressures caused by the pandemic," says Vanninen. "I'd like to extend a huge thank you to every one of our employees for how well we were able to do our jobs during the year. We made it through this together – and also thanks to our customers."

Responsible enjoyment

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RESPONSIBLE SALES AND CUSTOMER EXPERIENCE

The most responsible way to sell alcohol in the world

It is Alko's task to ensure that alcoholic beverages are not sold to minors, anyone who is clearly intoxicated or behaving in a disruptive manner, or anyone who intends to hand over beverages to someone else. In 2020, we achieved our all-time best success rate in sales supervision: 97.9 per cent. This excellent result was achieved during an exceptional year, and this reflects our staff's professionalism and uncompromising commitment to responsibility.



Why this is important to us:

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



Our approach:

The responsible sale of alcohol means that Alko does not sell alcoholic beverages to minors, anyone who is intoxicated, or anyone who intends to hand over beverages to others. We continuously develop our staff's responsibility expertise. We also offer our customers non-alcoholic alternatives and small package sizes. Bulk discounts, giveaways, additional sales or the marketing of individual products are not part of our business practices.

We provide world-class service and treat all of our customers as individuals with individual needs. We take a comprehensive approach to developing our customer experience.



Our main objectives:

Alko's mission is to be the most responsible seller of alcohol in the world and to provide world-class service. We measure our success with mystery shopping and self-supervision. The 2020 target for in-store age-limit checks was 96 per cent. Our ambitious goal for 2021 is 98 per cent.

We want to engage in genuine interactions with our customers according to their style and pace. Our customers receive knowledgeable and cheerful service.



Responsible sales practices in stores and at pick-up points

We check IDs to verify the age of all shoppers who appear to be under 30. We did not compromise on age-limit checks even during the coronavirus pandemic, when the use of face masks became part of everyday life. We instructed young customers on how to safely remove their face mask while their age was checked.

We also remind young customers about sales supervision, particularly at the end of the spring term and the start of the autumn term. In May and August, the #todistaikäsi (#proveyourage) campaign encouraged young people to take the initiative and show their ID. Cooperation with young influencers and the humorous tests created by our campaign partner Bassoradio attracted plenty of positive attention among young people.

If a customer clearly appears to be intoxicated or otherwise behaves in a disruptive manner, no alcoholic beverages will be sold to them. Sales staff use their professional skills to assess a customer's state of intoxication. When assessing intoxication, you must keep in mind that apparent indications of intoxication might be due to an illness or injury.

The "handover of alcohol" refers to giving alcoholic beverages to another person. The handover of alcoholic beverages in exchange for payment is forbidden by the Alcohol Act. The handover of alcohol to those who are clearly intoxicated, behaving disruptively or under 18 is forbidden even when no fee is paid for this. It is the duty of Alko salespeople to prevent the handover of alcoholic beverages to minors and intoxicated persons. An experienced salesperson often detects situations that arouse suspicion of attempted handovers.

Induction ensures responsible sales work

Skilled staff play a key role in ensuring the responsible sale of alcohol. On their first day at work, new employees immediately take a test to gain their Sales

Supervision Passport, which provides them with the basic skills required to carry out age-limit checks and sales supervision related to suspected cases of intoxication and handovers. All staff renew their passports at three-year intervals. As skills develop through experience, it is also important to engage in practical on-the-job learning alongside theoretical training. In 2021, we will also be providing Alko personnel with information about the effects of other intoxicants, such as narcotics, medicines and the mixed use of intoxicants.

Staff at Alko pick-up points also receive training in responsible sales practices. Specialised training for sales supervision at pick-up points was introduced in spring 2020. Staff at 60 pick-up points completed the training during the year, and the courses will continue in 2021.

When handing over online orders, staff must check the identity and age of all customers using an official ID. Mystery shopping is used to measure the success of age-limit checks at pick-up points. The target for 2020 was 96 per cent and the result was 93.3 (95.5). No clear reason has been identified for this fall on the previous year. Our goal is to ensure that responsible practices are followed in all of our sales channels. Which is why we will continue to develop the sales supervision competence of staff at pick-up points in 2021.

5.4 million age-limit checks in 2020

In addition to mystery shopping, our stores' self-supervision plays an important role in responsibility. In Alko stores, age-limit checks and other sales supervision procedures are entered into our POS system. The results are monitored by region, store and salesperson. This monitoring seeks to ensure reliable sales supervision of a uniformly high standard in all of our stores.

In 2020, we verified the age of young customers 5.4 (4.6) million times and carried out more than 316,000 (316,000) checks of suspected handovers



RESPONSIBLE CUSTOMER SERVICE

	2016	2017	2018	2019	2020
Number of age-limit checks (million)	3.8	4.6	4.6	4.6	5.4
Suspected cases of intoxication (thousand)	635	670	577	522	511
Suspected cases of handover (thousand)	345	395	359	316	316
Number of purchase ban agreements	14	24	13	22	21

and almost 511,000 (522,000) checks of suspected intoxication. Regional managers drew up their own self-supervision targets for 2021 on the basis of the previous year's figures.

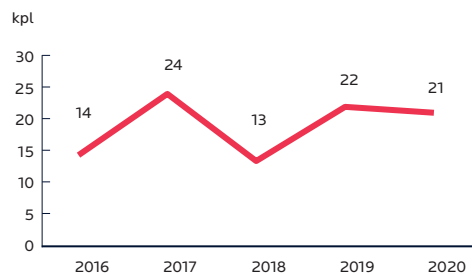
Any underperformance or failures in self-supervision or mystery shopping will quickly be addressed. Enhanced age-limit supervision will then be launched in the store or store group. The service manager or regional manager will also review the basics of responsible sales practices with staff.

Purchase ban agreement and Concern Card

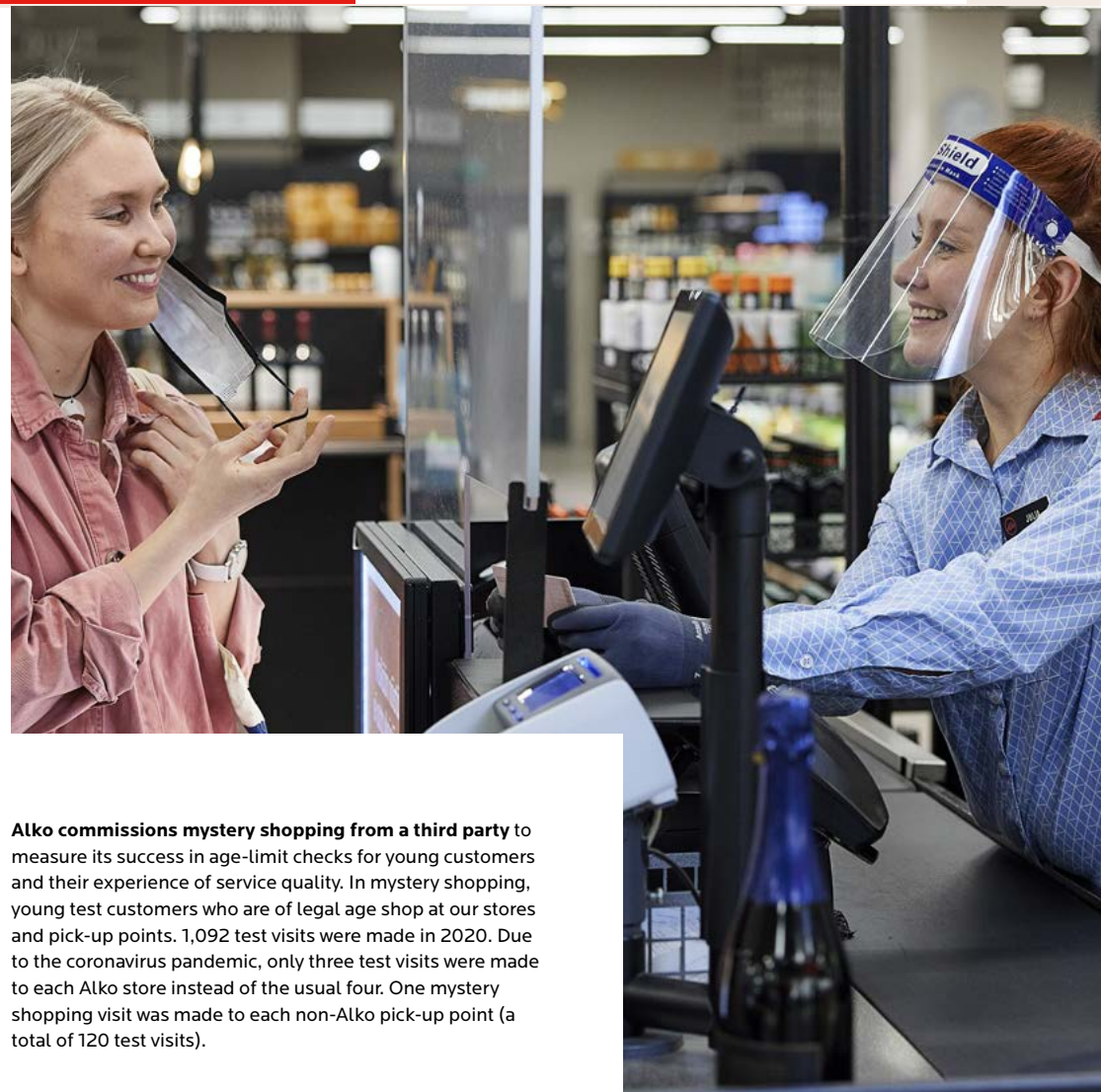
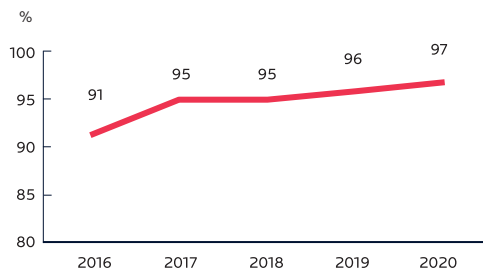
The Concern Card and purchase ban agreement are tools for Alko store staff to use when a customer expresses concerns about alcohol use, whether their own or that of a family member or loved one. By signing a purchase ban agreement, customers can voluntarily restrict their ability to buy alcoholic beverages from one or more Alko stores. The initiative to draw up the agreement may come directly from the customer, or from a close family member or a loved one. Purchase ban agreements are always temporary, and can last a maximum of 12 months. A total of 21 (22) purchase ban agreements were signed in 2020. 12 (7) of the agreements were made in rural areas and 9 (15) in cities.

With the aid of a Concern Card, customers can be directed to seek out more information or contact an organisation for help. Customers can call the free advisory service run by the Finnish Association for Substance Abuse Prevention (EHYT) or search for information about intoxicants and addiction on the A-Clinic Foundation's AddictionLink website.

PURCHASE BAN AGREEMENTS



STORES' SUCCESS RATE IN MYSTERY SHOPPING TEST VISITS



Alko commissions mystery shopping from a third party to measure its success in age-limit checks for young customers and their experience of service quality. In mystery shopping, young test customers who are of legal age shop at our stores and pick-up points. 1,092 test visits were made in 2020. Due to the coronavirus pandemic, only three test visits were made to each Alko store instead of the usual four. One mystery shopping visit was made to each non-Alko pick-up point (a total of 120 test visits).

World-class service in multiple channels

Alko wants to provide world-class service in stores, at pick-up points, and in our online shop and other digital services. Good service is close to our heart: we want our customers to receive friendly, uncomplicated and personalised service. We treat all of our customers as individuals with individual needs. Our expertise and approachability has been praised by our customers.

At Alko, we take a comprehensive approach to developing our customer experience and aim for smooth customer service in all interactions. In 2020, we focused on providing safe and hassle-free shopping.

We serve everyone in Finland, from Hanko to Nuorgam. Our multichannel service network consists of 364 stores, 126 pick-up points, our online shop and mobile app, and our customer service centre. Three out of four Finns live within four kilometres of an Alko service point. Our customers appreciate our multichannel service network and the opportunity to use the channel that best suits them.

Our store staff served more than 57 million customers during the year. Alko's customer service also provides assistance via chat, phone and email. 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 90,000 customer contacts in 2020, representing growth of 22 per cent on the previous year.

Coronavirus increases online shopping and customer service

Our online shop offers customers all across Finland an equal opportunity to browse and buy from Alko's entire selection of products whenever it best suits them. Orders can be placed via the Alko website or using our mobile app. Sales staff can also place an online order

on a customer's behalf in Alko stores and at pick-up points. Orders are delivered for pick up at either an Alko store or pick-up point.

Especially during the coronavirus pandemic, customers have been seeking an effortless shopping experience. They want to familiarise themselves with products in peace and minimise close contacts in stores. The number of online orders rose by 92 per cent compared to the previous year. The number of registered customers in the online shop rose by 96 per cent on last year and the number of corporate customers by 26 per cent. This phenomenon does not seem to have been restricted to any particular weeks. Customers who tried our online shop during the coronavirus pandemic have made it part of their regular shopping routine.

At the end of the year, the mobile app had more than 100,000 users compared to 45,000 at the beginning of the year.



15,700

The Alkotoive request service was launched in September 2020. Customers can use this online service to request their favourite beverage – either from Alko's selection or otherwise – to be stocked by a specific store.

Products stocked at stores in response to customers' wishes are marked with an Alkotoive symbol. Depending on its size, a single store has the option to add 50–150 customer requests to its selection.

15,700 requests had been received by the end of the year, of which 19 per cent had already made it to store shelves.



We are passionate about enhancing customer satisfaction.



Customer satisfaction is close to our heart

We are passionate about enhancing customer satisfaction. Our goal is to better meet our customers' individual needs by utilising customer data and analytics.

We also managed to provide our customers with good service even in an exceptional year like 2020, as evidenced by the results of our customer satisfaction measurements and a purchasing behaviour study that we used to investigate consumer habits and changes therein.

Alko now has more than 5,300 registered Advisors. Advisors are customers that are able to influence Alko's development. We organised four events for Advisors in 2020. Feedback was collected on the development of things such as the Alkotoive request service, our offering, and customer service.

In addition to feedback from Advisors, our development work utilises all of the open feedback that we receive.

Service network development continues

In 2020, we opened new stores in Hyvinkää, Jyväskylä, and the Jakomäki and Myllypuuro districts of Helsinki.

Alko closed one of its two stores in the Jumbo shopping centre in Vantaa at the beginning of the year. We refurbished 33 stores, and 47 per cent of our stores had been given a new look by the end of the year.

The refurbishments sought to make the stores more pleasant and their layouts clearer, and to help customers shop more easily. Store refurbishments also focus on space efficiency. As a result of the refurbishments carried out in 2020, the floor area of stores was reduced by about 24 per cent in total.

The number of Alko pick-up points rose by 26 to 126 during 2020.

We will continue to renew and develop our service network. We are seeking a smoother and more personalised customer experience in digital service channels. We will continue to increase the number of pick-up points and the coverage of Alko's service network in a controlled manner. Our long-term goal is to have Alko services – a store or pick-up point – in every Finnish municipality. At the end of the year, there was an Alko store or pick-up point in 274 of Finland's 310 municipalities. There are no store closures on the horizon.

Customers' wishes are reflected in our service and selection. We continuously develop our operations by listening to and working with our customers. How do our customers rate us?

Store:

"How well did we do?" survey. Almost 6,000 responses. 71.1% of respondents felt that their last visit to an Alko store was worthy of praise.

Online shop:

Customer satisfaction, NPS* 74.3 (72.9).

Customer service:

Customer satisfaction, NPS* 78 (69).

National Customer Service Feedback Survey (KAP):

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

Mystery shopping service

indicator: Acknowledging customers on arrival 82% and service atmosphere 87%.

Selection satisfaction survey:

Score 8.56 (8.52).



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



Alko's services are available throughout Finland via pick-up points

Pick-up points support Alko's service network in sparsely populated areas in particular. Shopkeeper **Johnny Wikstedt** runs one of Finland's busiest pick-up points in the Turku archipelago.

We are continually developing our service network and thinking of ways to provide the best possible service to all of our customers throughout Finland. In accordance with the Alcohol Act, Alko does not provide home deliveries of alcoholic beverages to consumers. We work with local companies, so that customers can also receive their online shop orders in municipalities without an Alko store. A total of 126 pick-up point permits had been granted by the end of the year. Alko's services are now available in almost nine out of ten Finnish municipalities.

Alko's full selection of almost 11,000 products is available throughout Finland, from Hanko to Nuorgam, via the online shop. Most pick-up points adjoin grocery stores, but they can also be found at florists, hardware stores and service stations. Johnny Wikstedt runs the M-Market in Houtskari (Houtskär), which has been operating as a pick-up point since summer 2019. He says that it is an easy and natural part of running a convenience store.

"Everything works automatically through Alko's order system. We receive the deliveries made via the system and hand them over to the customers," says Wikstedt.

Customers from small villages often visit an Alko store when handling other business in a larger town nearby. Wikstedt says that this is also the case in Nauvo is quite a long way away. The M-Market pick-up point has been particularly popular among people with holiday cottages in the area, but positive feedback has also been received from locals.

"Those who've discovered the service have been very satisfied. You can order anything from Alko's entire selection," says Wikstedt.

Sales supervision also ensured at pick-up points

It is important for Alko that pick-up points operate responsibly. A customer's age and identity will be verified when they make and collect their order. Alko's online shop support team makes sure that pick-up points do not hand over orders outside Alko opening hours.

Guidance on sales supervision forms a large part of the induction that our partners receive before they can open their pick-up point. In 2020, we developed an online training package for sales supervision at pick-up points run by partners. Many of our partners have already completed this training, but the package will also be actively marketed in 2021, and especially to new pick-up point partners.

It is usually easier to familiarise grocery stores with sales supervision than it is with other types of businesses that may not be used to selling alcoholic beverages. Pick-up points have also been successful when it comes to responsible sales. Mystery shopping at pick-up points had a success rate of more than 90 per cent in 2020. Wikstedt says that the sales supervision principles for pick-up points are stricter than those for the sale of alcohol in his own store.

"Checkout staff will verify the age of a young-looking customer in the store, but we always check everyone's ID at the pick-up point," says Wikstedt.

SELECTION

Selection satisfaction at an all-time high

Alko's diverse and provenly safe selection of almost 11,000 products did an excellent job of meeting customer needs in 2020. The entire beverage industry is currently occupied with recovering from the pandemic and changes in consumer behaviour.



Why this is important to us:

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



Our approach:

We take a customer-oriented approach to planning our selection and listen to our customers' needs and requests.

Alko's selection is put together by a team of passionate professionals who closely follow trends, phenomena and social changes both in Finland and abroad.

Store-specific selections are based on a combination of chain management in accordance with customer demand and local decisions made by the stores themselves. Decisions on the stocking, pricing and display of products is made in an impartial and non-discriminatory manner. Alko's entire selection is available nationwide via our online shop.



Our main objectives:

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

The products we decide to sell are acquired through an open and impartial selection procedure. Customers' basic needs are met with our comprehensive general selection, which is supplemented with seasonal products and special editions. Finnish suppliers can also offer their products freely and free-of-charge via Alko's sale-to-order selection. When deciding which products to purchase for our selection, we assess each product from a variety of perspectives, the most important being customer needs, demand, quality, trends and responsibility.

Alko's selection of around 11,000 products is renewed every year with the addition of thousands of products. A single store will stock an average of 1,200 products. Local selections vary according to demand and store size. Our entire selection is available via the online shop and can be ordered for collection from any Alko store or pick-up point.

Decisions on the listing, pricing, delisting and in-store display of products are made on impartial and non-discriminatory grounds – the supplier's nationality and domicile do not factor into these decisions. Listing and pricing are based on public rules and guidelines for goods suppliers. Products containing more than 5.5 percent alcohol by volume are priced in accordance with the fixed coefficients set for each product group, and these coefficients are openly available to our suppliers.

Alko's selection made an excellent job of meeting customers' needs even during the exceptional circumstances of 2020. Our customers' satisfaction with

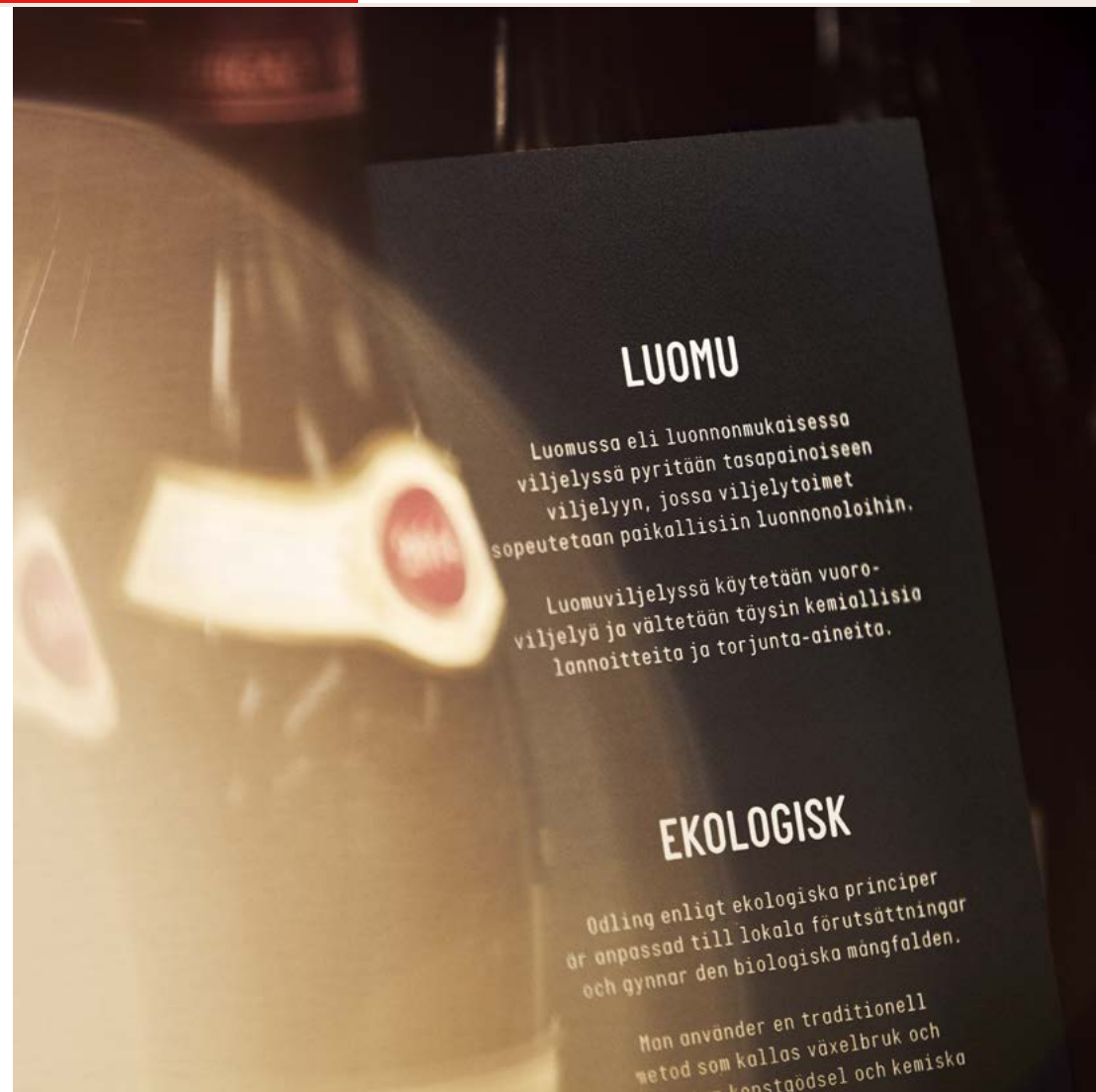
Alko's selection rose to an all-time high: we received a score of 8.56 out of 10 (Dagmar Drive Oy, September 2020, N=1,593).

Product responsibility is an important aspect of our world-class selection. In line with our rules, all goods suppliers must commit to Alko's ethical principles and compliance with them. Although we had to keep producer visits and meetings with suppliers to a minimum in 2020, we still managed to promote responsibility.

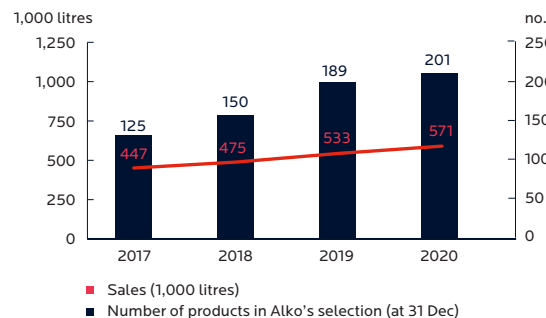
Close cooperation with good suppliers continues during the coronavirus pandemic

All of the products we sell are purchased from Finnish or foreign suppliers, of which we have about 780 in total. We work closely with all of our suppliers. Each year, we meet hundreds of producers and suppliers all across the world in order to gain a better understanding of market offerings, trends, production, and regions of production. 2020 was an exceptional year in terms of meetings, and we focused on development and harnessing digital channels. Our 2020 supplier events were held virtually. The supplier trade fair for sales staff was also held virtually in the autumn.

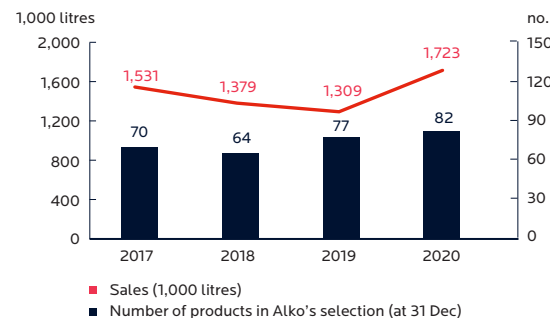
In the unusual situation caused by the coronavirus pandemic, we sought to provide our suppliers with a reliable sales channel and enable new suppliers to easily get their products into Alko's selection. As a result of the coronavirus pandemic, breweries and other companies who usually work with the hospitality industry took a greater interest in selling their products



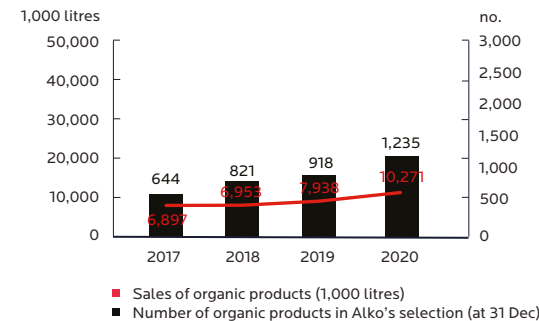
NON-ALCOHOLIC PRODUCTS – SALES TREND AND NUMBER OF PRODUCTS



ETHICALLY CERTIFIED PRODUCTS – SALES TREND AND NUMBER OF PRODUCTS



ORGANIC PRODUCTS – SALES TREND AND NUMBER OF PRODUCTS

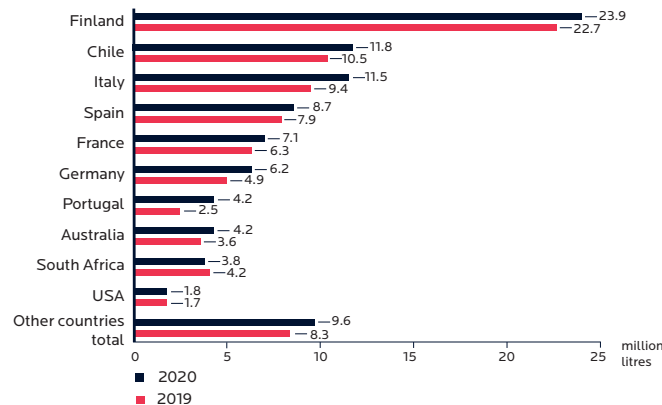


through Alko. In 2020, we listed more than 2,800 new products in our selection and gained more than a hundred new suppliers.

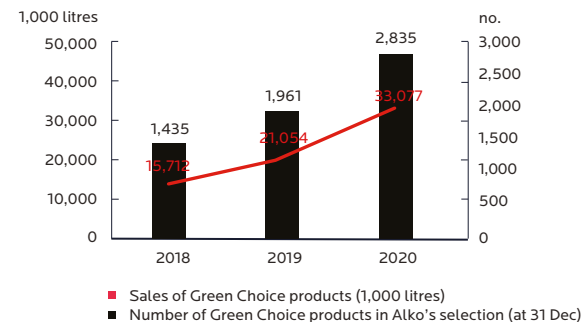
The coronavirus pandemic also strengthened many familiar phenomena in the purchasing behaviour of Alko customers, such as responsible choices and trends relating to wellbeing, freshness and low-calorie products. New phenomena also arose. When it came to packaging, customers were seeking easy options and in part also larger sizes: sales of boxed wines rose by a quarter. The premiumisation trend is still going strong, and customers have been placing an even greater focus on beverage quality.

These effects will remain long after the coronavirus pandemic subsides. There has been a lot of talk in the beverage industry about an approximately five-year recovery period, and the pandemic's impacts on consumer behaviour are difficult to predict. On a global scale, the coronavirus has reduced demand for alcoholic beverages. The pandemic has also affected the availability of labour in European wine regions, hampering agricultural work and harvesting.

SALES BY COUNTRY OF ORIGIN



GREEN CHOICE PRODUCTS – SALES TREND AND NUMBER OF PRODUCTS*



* Green Choice products include organic products, natural wines, biodynamic products, wines with local sustainable development certificates, vegan products and products with environmentally responsible packaging. Alko began monitoring sales trends and figures for Green Choice products in 2018.

Alko publishes monthly sales statistics on its website.

→ alko.fi



Quality is assured through both sensory evaluation and laboratory analyses.

Product safety and high quality are prerequisites for inclusion in Alko's selection. The quality of the products in our general selection is tested through sensory evaluation and supported by laboratory tests performed at Alko's Alcohol Control Laboratory (ACL). We monitor the quality of products already in our selection, taking into account customer feedback and any changes, such as a new vintage.

Each beverage that is submitted, either for inclusion in Alko's general selection or as a special edition, is assessed on the basis of the criteria given in the call for products. In addition to laboratory analyses, a sensory evaluation is also performed to find the products that best meet the criteria. The number of product samples assessed by Alko in 2020 rose, as in previous years: almost 10,500 product samples were evaluated.

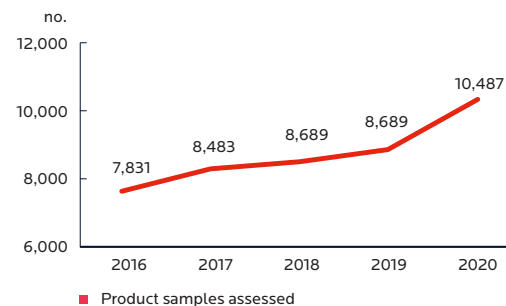
We characterise products during sensory evaluations. Where applicable, beverages are defined according to taste style. Their flavours and bouquets are described, and they are given suitable symbols for accompanying food.

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. We also ensure that the labelling on product packaging is accurate and fulfils legal requirements.

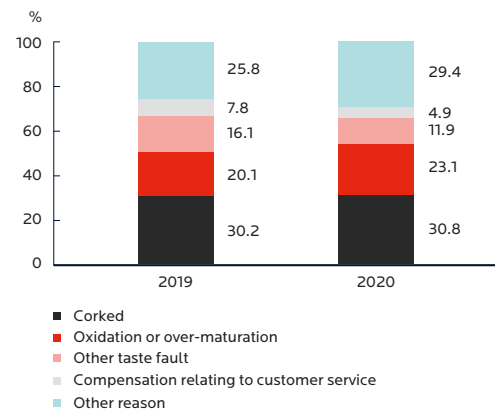
The ACL has a team of 11 people who examine about 3,000 samples each year, carrying out a total of more than 50,000 analyses. In addition to providing analyses for Alko, the ACL also offers alcohol analytics to Finnish authorities, beverage manufacturers and importers.

Goods suppliers and importers also play an important role in product quality assurance. We work closely with our partners and provide support for quality assurance. Good cooperation guarantees smooth processes and quick responses to any issues with product quality throughout the supply chain.

ASSESSING PRODUCT SAMPLES OF BEVERAGES OFFERED FOR ALKO'S SELECTION



REASONS FOR PRODUCT RETURNS





A selection master is familiar with local customers' wishes

There are selection masters at more than a hundred Alko stores, that is, a salesperson who chooses the most suitable products for local customers. The job involves keeping an eye on trends and actively developing and sharing product expertise.

Each Alko store decides on about one-third of its own selection in response to local demand. The remaining products are selected on the basis of nationwide customer demand. Selection masters closely monitor trends, demand and customer requests, and play an important role in planning the optional component of the store selection.

The Alko store in the Tiirio district of Hämeenlinna stocks around three hundred optional products that vary on the basis of seasonal demand, trends and customer requests. The store's selection master, **Miia Jokinen**, says that Tiirio's selection stands out due to its broad range of microbrewery beers.

"People come from far and wide to buy our craft beers," says Jokinen.

As an experienced selection master, Jokinen has noticed that, in recent years, customers have been switching to higher quality products not only with regard to beers but also spirits; and this has also been reflected in the Tiirio store's optional selection.

"Whiskies and gins are very popular here. Our selection focuses on new beverages and Finnish products in particular," says Jokinen.

Consumers are also more aware of the harmful effects of alcohol consumption, which is reflected in their increased interest in low-alcohol and non-alcoholic beverages. And these days, there are also a broader and higher-quality variety of non-alcoholic alternatives available.

"It's nice to see that non-alcoholic options are no longer restricted to just beer and cider. You can also get things like dry beverage mixtures," says Jokinen.

Praise for Green Choices

According to Jokinen, consumers are increasing paying attention to environmental friendliness and responsibility when choosing beverages. Alko's Green Choice labelling indicates the producer's commitment to environmental efforts and sustainable development.

Although the most popular Green Choices in Tiirio are organic wines, there is also growing interest in natural wines and vegan wines. Consumers are also paying more attention to environmentally friendly packaging.

"We've received a lot of praise for our clear labelling in particular," says Jokinen.

Jokinen has noticed that the coronavirus pandemic has had a surprising impact on Finnish wine culture, as more and more customers in Tiirio are asking for advice on wine to accompany food. Now that people are cooking at home more, they are also encouraged to try new things. Jokinen says that it is not unusual for a customer who has just been to the grocery store to show an Alko salesperson the contents of their shopping bag. It is easy for the selection manager to give advice, as more variety and higher quality products are continually being added to Alko's selection.

"Customers are asking wilder questions, which has been fun to notice," says Jokinen, laughing.

PERSONNEL

Competence development in spite of exceptional circumstances

We paid special attention to our personnel's safety and wellbeing during the exceptional circumstances of 2020. For example, we ran online training to give supervisors the skills they need for leadership during exceptional circumstances.



Why this is important to us:

We want our personnel to feel happy and healthy, and enjoy their work. Enthusiasm and success are important elements of our world-class service. We offer our personnel opportunities for both personal and competence development.



Our approach:

The expertise of Alko staff enables the responsible sale of alcohol and commendable contacts. We continually develop personnel competence through both training and on-the-job learning. We also focus on continuous self-improvement and identifying and sharing our own expertise. We are always enhancing occupational safety, and proactively tackle any issues relating to wellbeing and working capacity.



Our main objectives:

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

Personnel wellbeing a priority

Healthy and contented staff play a key role in providing world-class service. We invest in the wellbeing of our staff, working capacity management, and identifying any risks to working capacity. We examine wellbeing on a broad scale, and safety at work is also an important element.

During 2020, we paid particular attention to safety, wellbeing and coping at work. Personalised wellbeing paths were drawn up on the basis of a health survey sent to personnel. During the year, we ensured that supervisors had the required skills for leadership during exceptional circumstances, and could understand and monitor factors affecting the working capacity of their team members. We also helped supervisors to maintain their own working capacity and ability to cope at work by, for example, providing professional support in the form of the Auntie occupational wellbeing service.

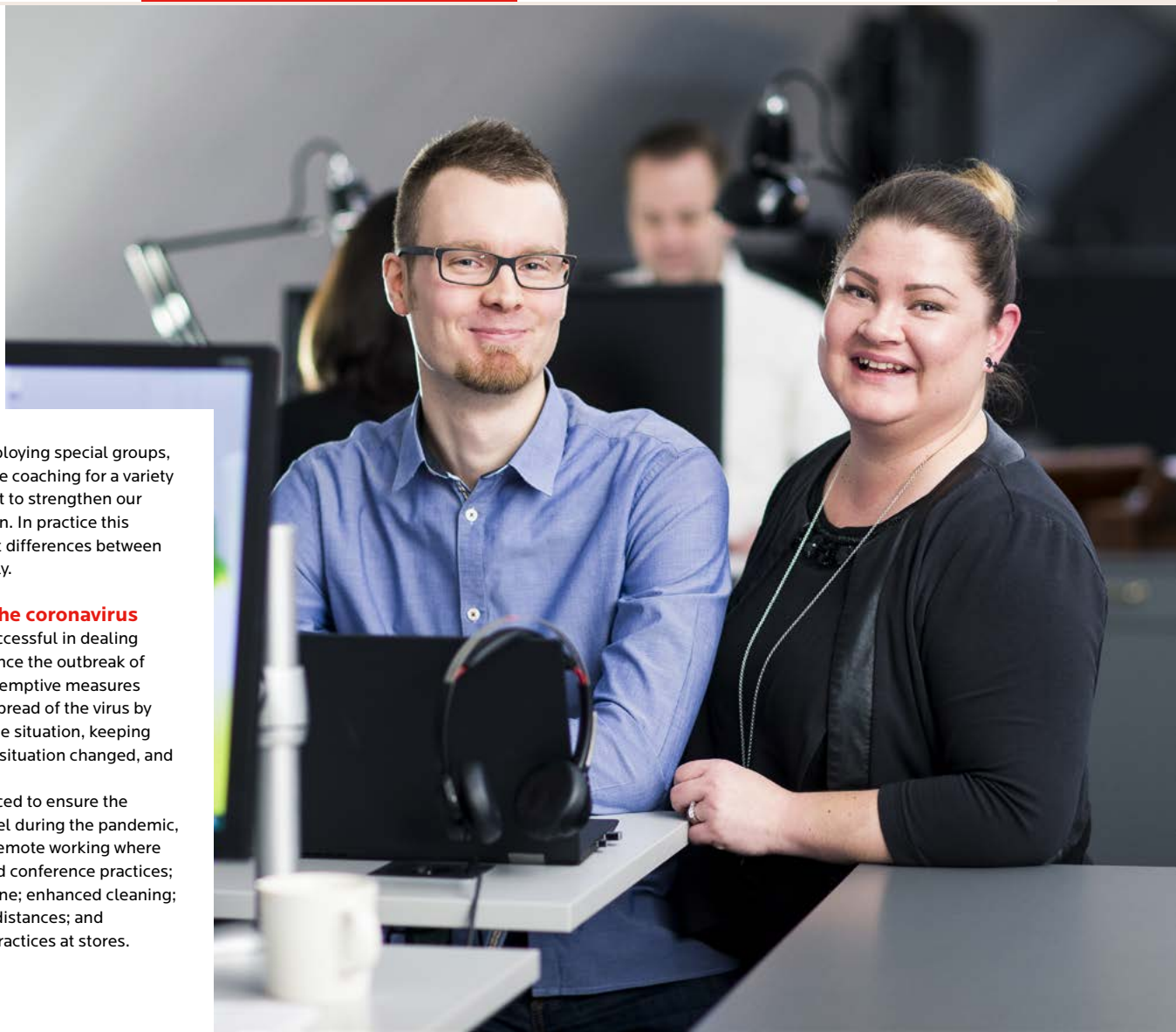
During the year, we created a diversity plan that will be used to conduct a salary equality assessment in 2021. It will also be used to formulate job descriptions for employees with partial working capacity, to

investigate opportunities for employing special groups, and to communicate and organise coaching for a variety of target groups. At Alko, we want to strengthen our culture in a more diverse direction. In practice this means that, above all, we respect differences between people and treat everyone equally.

Well-prepared to combat the coronavirus

We believe that we have been successful in dealing with the coronavirus situation. Since the outbreak of the pandemic, we have taken preemptive measures and done our bit to prevent the spread of the virus by keeping ourselves informed of the situation, keeping our guidelines up-to-date as the situation changed, and actively communicating.

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



We have taken a variety of measures to ensure the safety of our staff and customers while maintaining the best possible level of service in all situations.

Safety at work a priority

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

The coronavirus pandemic increased concerns about staff safety. We have taken a variety of measures to ensure the safety of our staff and customers while maintaining the best possible level of service in all situations. For example, we have updated our guidelines for store work, sickness absences, travel instructions

and minimising risks, and have also introduced special working time arrangements.

Disturbances, such as shoplifting, threatening situations and the need to call security, have somewhat increased in our stores during the coronavirus pandemic. Store security has been stepped up during peak seasons, and staff guidelines for reporting disturbances have been updated.

In order to ensure safety at work, personnel receive induction in risk assessment and every Alko workplace assesses its safety risks on a quarterly basis in line with our annual clock. Supervisors are responsible for enhancing safety at work and eliminating any threats to safety. The occupational protection organisation investigates any workplace accidents that are reported by business locations. All of our employees are covered by statutory occupational healthcare and an occupational health and safety organisation.





Alko expertise and developing together

In spite of the exceptional circumstances, we continued to offer our personnel opportunities for competence development, inspiration and success. A rapid response combined with the solid expertise of Alko's trainers enabled us to successfully and agilely transition from face-to-face to online training. Alko employees received an average of three days of training in 2020.

Personnel actively participated in our product and service training, which was mainly held online. Eighty per cent of Alko employees took part in the main training days of the year – seasonal training.

As our expertise is based on customer service and product expertise, every Alko employee receives induction in store work, regardless of their actual tasks. Even staff working at head office help out in stores, especially during peak seasons. All Alko personnel also complete ethical training and have to renew their Sales Supervision Passport on a regular basis.

The Alko Learner project that we organised for staff in 2020 used a service design approach to investigate our competence development, training and our educational needs and requests. On the basis of our experiences, we will be introducing a new type of competence development model, new training, and a digital learning environment to support the learning experience. In the future, we will also provide more opportunities for on-the-job learning, time for independent study, and teaching methods and face-to-face training to suit a variety of different learners.

In the autumn, all Alko supervisors attended an all-day virtual meeting in which we encapsulated our strategy and culture in concrete everyday activities. Throughout the year, we also arranged Teams meetings on a variety of themes, such as the coronavirus situation, collective agreements, safety and working capacity management, and coping at work for both supervisors and their teams.

Our responsibility targets constitute key targets for all Alko staff, and we also seek to act as responsibly as possible when compensating our staff for their work.

Responsible remuneration

When developing our HR and corporate culture, we consider the various themes of responsibility in a diverse manner. Our responsibility targets constitute key targets for all Alko staff, and we also seek to act as responsibly as possible when compensating our staff for their work. 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. For example, all store teams have a target connected with success in mystery shopping. In 2020, all of our stores achieved their region-specific target, which was a 96 per cent success rate in age-limit checks.

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.

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

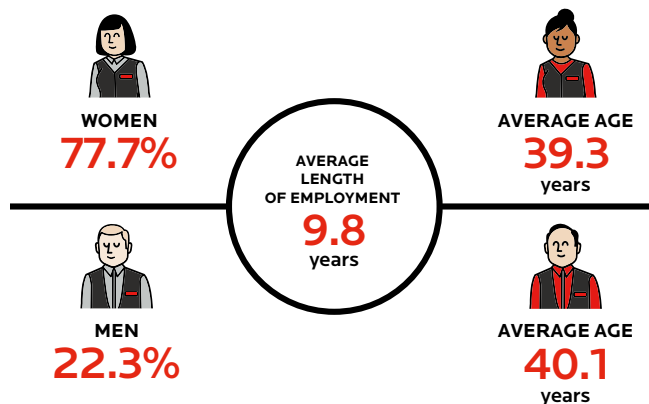
Board approves the remuneration to be paid on an annual basis. Incentives for 2020 totalled a maximum of 6–16 per cent of annual salary, depending on the recipient's job description.

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 in 2020 complied 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 2020 totalled a maximum of 40 per cent of annual salary. The Government Resolution on State Ownership Policy issued on 8 April 2020 came into force at Alko at the beginning of 2021.

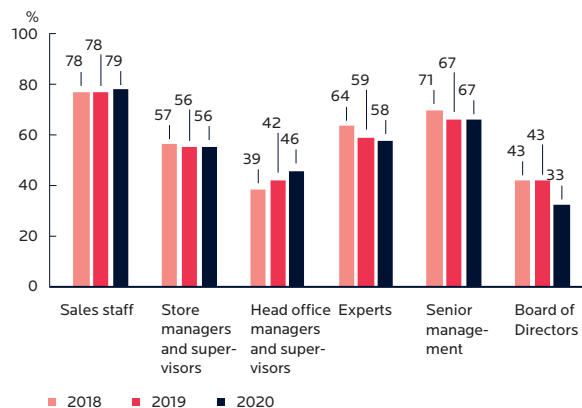
Additional benefits include flexible working hours and other ways of maintaining a good work-life balance, good career and development opportunities, and a variety of employee benefits such as comprehensive occupational healthcare that exceeds statutory requirements and support for wellbeing at work.



A TYPICAL ALKO EMPLOYEE



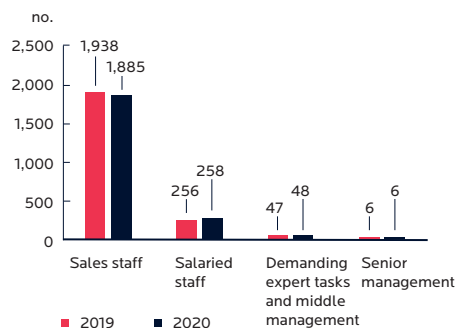
PROPORTION OF WOMEN BY TYPE OF POSITION



PERSONNEL BY AREA

	2019 (%)	2020 (%)
Permanent		
Northern Finland	17	12
Western Finland	13	14
Eastern Finland	19	16
Southwest Finland	21	13
Southern Finland	15	15
Capital city region	14	22
Head office	1	8
Fixed-term		
Northern Finland	12	14
Western Finland	14	15
Eastern Finland	16	19
Southwest Finland	13	20
Southern Finland	15	18
Capital city region	22	11
Head office	8	2

NO. OF PERSONNEL BY PERSONNEL GROUP, PERMANENT CONTRACTS



PERSONNEL IN FIGURES

	2018	2019	2020
Personnel Motivation Index	3.99	3.91	3.86
Voluntary turnover	16.6%	18.1%	12.0%
Total absences due to sickness	4.7%	5.1%	4.6%
Accidents at work	108	130	80
Retirement age (retirement pensions)	61.6	60.8	60.8
No. of employees per supervisor (stores, all)	18.8	16.1	16.0
No. of employees per supervisor (stores, permanent)	15.3	14.1	14.1
Person-years	1,924	1,898	1,937*
No. of permanent contracts at year-end	2,216	2,250	2,197
Average number of employees with permanent contracts during the year	2,452	2,466	2,196
Average number of employees with fixed-term contracts during the year	740	216	249
Average number of employees with fixed-term contracts during the year			176

*Change in reporting method as of 2020.

AGE DISTRIBUTION OF PERSONNEL

	18-25 (%)	26-35 (%)	36-45 (%)	46-55 (%)	56 and over (%)
Regional offices	5.6	5.6	22.2	27.8	38.9
Stores	19.7	27.3	21.2	17.9	13.9
Head office	1.2	15.2	44.2	28.5	10.9
Alko, total	18.4	26.3	22.7	18.7	13.9



Auntie supports coping and stress management

Alko staff have been offered a mental wellbeing service to help them overcome everyday challenges before they worsen into problems or crises.

The service helps to prevent challenges related to coping at work from piling up and leading to health problems.

Problems with coping are one of the most common reasons for sickness absences and early retirement at Finnish workplaces. We want to prevent these problems at Alko. In April 2020, we introduced Auntie, a low-threshold wellbeing service that helps supervisors to cope before challenges accumulate into insurmountable problems. The service has since been extended to cover personnel working in expert tasks at head office.

Exercises, materials and video meetings with Auntie professionals help people to cope in areas such as time management and emotional regulation. Auntie's CEO, **Mervi Lamminen**, says that the service was launched just over five years ago in response to the founders' own experiences of burnout.

"The idea is to help people at an early stage, before they need to turn to occupational healthcare," says Lamminen.

The service is not, therefore, a replacement for occupational healthcare, but rather a method of preventing challenges with coping from piling up and leading to health problems. Although Auntie has no control over workloads, Lamminen says the service can shape your own attitude to work, stress and things that you can influence.

"All in all, we are seeking to get our customers' working methods and ability to cope to such a level that we can avoid at least some of the associated sickness absences," says Lamminen.

Benefits for all personnel

At Alko, we got started with a service package targeted at supervisors. During the coronavirus pandemic, remote working has made it more difficult for supervisors to look out for their team members and get an idea of what everyone is doing and what kind of support they need. Lamminen says that if a supervisor isn't doing well themselves, it could at worst be visible to the entire team and their emotions could easily affect those around them as well.

"If emotions are contagious during a two-hour film, then what about in the workplace, when you're spending much more time with people? Better emotional regulation and self-reflection skills benefit everyone," says Lamminen.

Alko personnel have been extremely satisfied with the service, which was also extended to staff at head office during the pandemic. Personnel have found the service helpful in managing stress levels and their attitudes to problematic issues that they can't influence. People have also been happy to talk about things with an independent party.

"For instance, it would take courage for a supervisor to voice feelings of impostor syndrome out loud in the workplace. Yet it's easy to discuss the origins of such feelings with an external professional," says Lamminen.

ENVIRONMENT

Environmentally friendly choices

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



Why this is important to us:

At Alko, we are committed to reducing our environmental impacts in order to curb climate change and the overuse of natural resources in the manner required by the Finnish State's ownership steering policy. Our customers are also interested in product origins, including environmental perspectives.



Our approach:

The biggest climate impacts arising from Alko's business come from the production of beverage packaging in the supply chain. We are reducing climate impacts with the aid of recycled, bio-based and more lightweight materials, and with easily recyclable beverage packaging. We are supporting the increasing use of environmentally and climate-responsible practices in the beverage industry by stocking more products with environmental and sustainable development certification as part of our Green Choice labelling.



Our main objectives:

Our objectives for 2030 are:

- to reduce the climate impacts of beverage packaging by 50 per cent compared to 2020
- to increase the percentage of Green Choice products in our selection to 70 per cent
- to be carbon neutral in terms of our own electricity consumption and domestic deliveries by 2030.

We will be analysing our climate impact with the aid of a study that will be completed during 2021. It will enable us to ensure that we continue to develop the most material aspects of our operations.

More environmentally friendly packaging

According to an environmental study carried out in 2017, beverage packaging and the various stages of beverage production together cause about 80–90 per cent of a product's climate impact throughout its entire lifecycle, depending on the product category. We are therefore focusing on encouraging beverage producers to develop their packaging in terms of both materials and design, to make it more lightweight, more recyclable and lower in emissions. This is also one of the most important themes of environmental cooperation between the Nordic alcohol monopolies.

In our Green Choice labelling system, we extended the *Environmentally responsible packaging* symbol to include brewery products and spirits in lightweight glass bottles. In 2020, we sold 117.3 (113.8) million beverage containers of various kinds. After weight limits for lightweight glass bottles were also defined for brewery products and spirits, sales of lightweight glass bottles rose to 9.8 (6.0) per cent of all packages sold.

The carbon dioxide emissions (CO₂e) caused by wine packaging in our selection totalled 362 (383) tons per million litres sold, which was a fall of five per cent on the previous year. The emissions from all of the packaging in our selection was 416 tons per million litres.

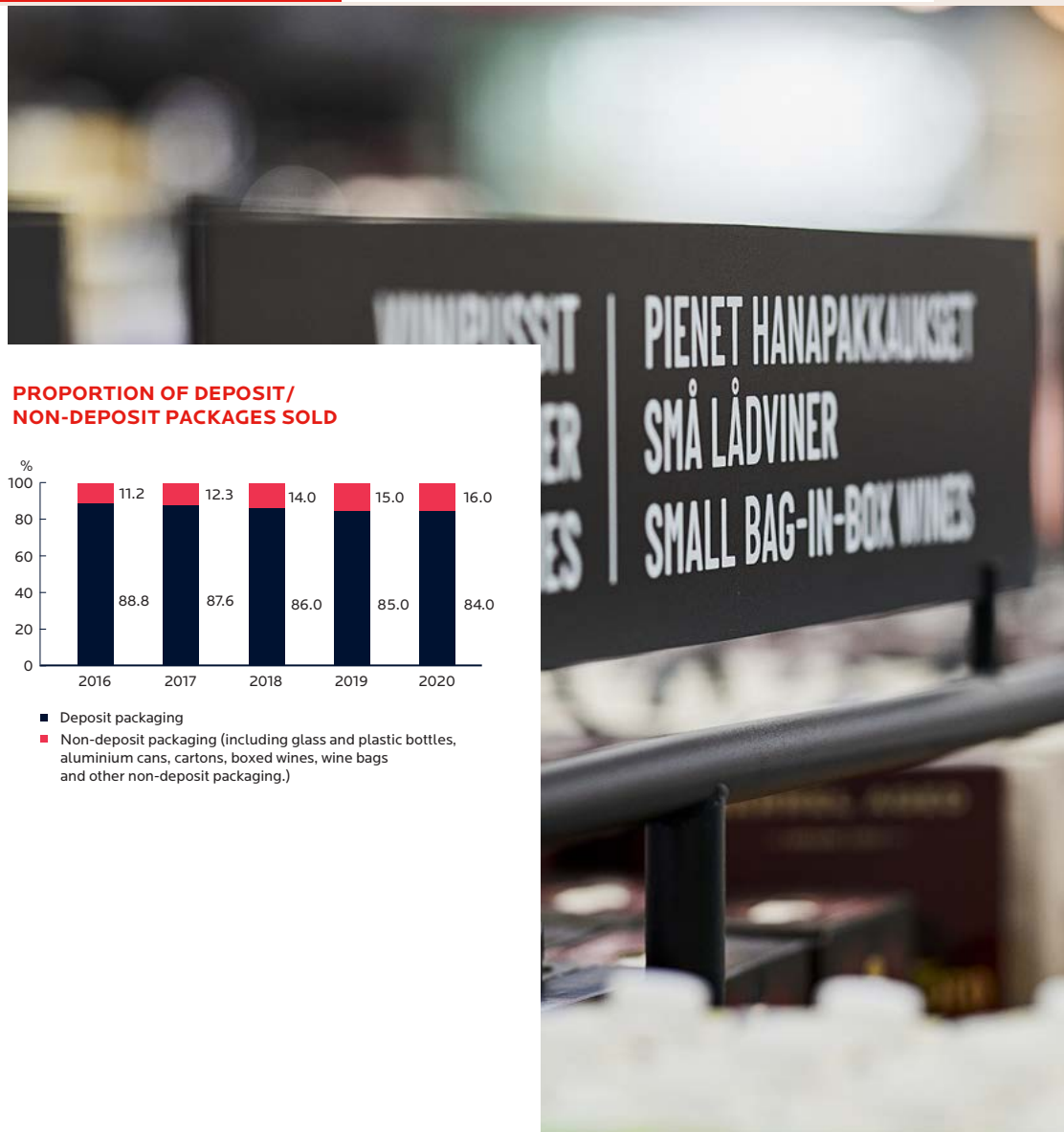
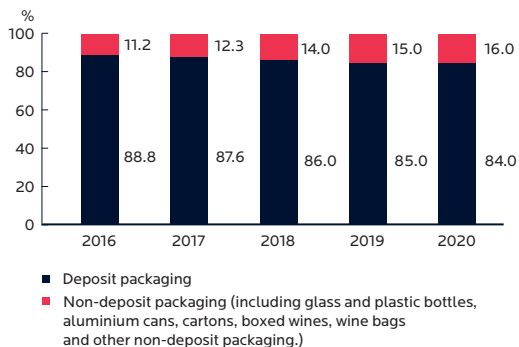
Although boxed wines have the fewest climate impacts, they are currently the most difficult type of packaging to recycle. That's why, in 2020, we expanded our collection network for wine bags and inner bags to cover our entire store network except for a few individual stores. During the year, 16.7 (12.8) tons of bags were returned to collection points for use in cement production. This is 30 per cent more than in the previous year.

More efficient domestic logistics

Goods are delivered to our stores by several suppliers, and whenever possible we always try to combine deliveries to avoid unnecessary environmental impacts.

At the beginning of 2020, we boosted the efficiency of our distribution model in collaboration with our transport partners on the basis of an emissions analysis of store deliveries carried out in 2019. This increased efficiency enabled the use of fewer vehicles and more efficient fleets throughout Finland – and particularly in the capital city region – without compromising on delivery reliability. As a result of the measures taken with our partners, the relative share of emissions from deliveries decreased by about eight per cent during the year.

PROPORTION OF DEPOSIT/ NON-DEPOSIT PACKAGES SOLD



In Helsinki, we were able to reduce transport emissions by one third compared to 2019.

In Helsinki, we were able to reduce transport emissions by one third compared to 2019. Posti Group compensates for the emissions caused by its deliveries to Alko stores.

We will continue to work with our partners to develop opportunities to further reduce the carbon footprint of our deliveries.

Monitoring emissions from our import service

Our own import service accounts for a varying percentage of Alko's total sales each year. In recent years, it has been in the range of a few per cent of all products delivered to Alko stores.

Carbon dioxide emissions from our import service totalled 350 tons in 2020.

Products from European countries are delivered by truck. Sea freight is used for products from Asia, South and North America, and Australia. Air freight is only used in exceptional circumstances, that is, when it is the only option for getting a product to Finland.

In order to create a better system for monitoring the emissions caused by our own imports – and also to reduce these emissions relative to our import volume in litres – we began engaging in closer responsibility cooperation with our import logistics partners in 2020.

Treatment of product waste improves

The retail sale of alcoholic beverages produces relatively little waste due to the long shelf life of products. However, the large volumes involved in our business mean that product waste adds up to a considerable amount – and a solution must be found for it.

In 2020, we issued a competitive tender to find a partner to help us improve the treatment of product waste. We found a new partner whose process will enable some beverage packaging material to be recycled and the rest to be utilised as energy, and for the beverages themselves to be used in the production of biofuel.

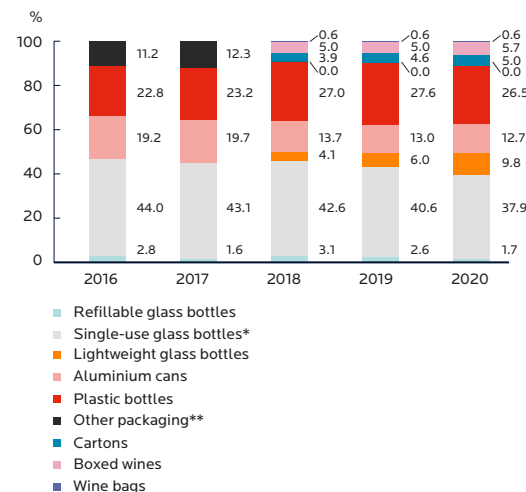
We also revised the number of product samples we request in calls for new products and when listing products in our selection, so as to minimise waste in these processes as well.

Climate perspectives in store network development

Electricity consumption in the store network is a substantial source of emissions in Alko's own operations.

In 2020, we refurbished 32 existing stores and opened four new stores. Saving energy is an important element of our new store concept, and is achieved by reducing store sizes and installing LED lighting. The refurbishments carried out in early 2020 are already

PERCENTAGE OF PACKAGES SOLD



* Also includes lightweight glass bottles until 2017.

** As of 2018, this has been split into cardboard cartons, boxed wines, wine bags, and other packaging.

reflected in our electricity consumption for the past year. After renovation and refurbishment, electricity consumption fell by about 10 per cent per square metre of store floor area. Total consumption in refurbished stores fell by a total of 31.5 per cent.

Electricity consumption in our store network as a whole fell by four per cent on the adjusted consumption data for 2019.

We did not therefore reach our target of a ten per cent reduction in electricity consumption compared to 2017. The longer opening hours enabled by the new Alcohol Act in 2018 raised total consumption by about five per cent. Ten new stores were also opened in 2018–2020. Electricity consumption per square metre of floor area has been reduced in tandem with store refurbishments, of which 120 were carried out in 2018–2020.

165 stores use certified emission-free electricity generated by hydroelectric power. In addition, the electricity purchased by 152 stores via lease agreements comes from a variety of green energy sources. The carbon dioxide emissions from electricity consumption at the remaining 47 stores totalled 630.8 tons in 2020.

Other factors may also have affected the figures for total electricity consumption. For example, we are continually improving our data collection methods and this may have revealed consumption that was not previously included in the total. Our goal is to utilise consumption data in making future decisions on store locations and to continuously analyse electricity consumption in our stores.

In 2020, internal environmental audits and the follow-up audits for the ISO 14001 certification of our store network and head office were carried out remotely due to the coronavirus pandemic. This new approach saved working hours that would have otherwise been spent travelling, and also reduced emissions from travel. Remote working will remain a permanent feature of our audits in the future.

Other environmental targets for 2020

In addition to setting targets for electricity consumption and emissions in the store network, we worked on developing our beverage selection and range of auxiliary products. We partially achieved our targets in these areas.

Objective	Results	Analysis
Forty per cent of the products in Alko's selection carry at least some environmental data.	At the end of the year, products with Green Choice labels accounted for just under 30 percentage of our selection.	Although we fell short of our ambitious target last year, we will continue working towards our 2030 targets in cooperation with our suppliers and producers.
Single-use plastic products made from virgin fossil-based raw materials, including plastic bags, have been replaced with a range of more sustainable auxiliary products.	The plastic cups in our range of auxiliary products are made from 100 per cent bio-based plastic, and the packaging used for other products has now been redesigned to be plastic-free. Our plastic bags are made from 80 per cent recycled plastic.	Due to their use of fossil-based materials and the risk of littering, we have been seeking to remove plastic bags from our range altogether, but the development of replacement materials for shopping bags has been slower than expected. However, the percentage of recycled material in our plastic bags is very high, which contributes to the development of the circular economy.
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.	3,816 tons of cardboard packaging waste and 86 tons of pallet plastic waste were generated in 2020.	As our waste monitoring system changed at the beginning of 2020, the figures are not comparable with previous years. In 2019, prior to the change, the amount of cardboard packaging waste had risen by 12 per cent compared to 2018, while the amount of pallet plastic waste had decreased by about half a per cent.



The power of water

At worst, water is an instrument of power. Its scarcity affects agricultural livelihoods and working conditions at vineyards. We wanted to learn more about this topic with the aid of a joint Nordic project.

Fresh water is taken for granted in Finland. But this is not the case elsewhere in the world. As part of the cooperation between Nordic alcohol monopolies, Alko commissioned a study on the connection between water and human rights in wine producing regions from the Stockholm International Water Institute.

The study covered four wine regions: Australia, Spain, Chile and South Africa. The results indicate that water use is managed very differently in these countries. In some countries, water use is regulated by public administration, while in others water is a commercial commodity whose price varies according to demand. Water may also be private property that can be inherited, donated or leased. Due to scarcity and price spikes, smallholders may sometimes have to cease production. Regional water shortages have also been seen to increase the need for medical care in indigenous populations.

The second part of the study compared the sustainable development certifications used for wine production in the countries in question. We can now use this comparison as a basis for discussions on the development of standards and criteria for water use.

In particular, the study sought to determine the connections between water shortages and the working conditions of the most vulnerable members of the workforce, such as women and migrant workers. Due to the sensitive nature of the topic and the restrictions arising from the coronavirus pandemic, little new information was obtained in this area.



Rolf Erling Eriksen,
Leader Environment,
Vinmonopolet, Norway

Cooperation to increase knowledge and focus on grievances

The Nordic alcohol monopolies have been cooperating on responsibility and sustainability issues since 2008. Small markets benefit by joining forces, as it is easier to work with the backing of 20 million consumers.

This work is carried out in several working groups with their own annual themes. The social responsibility and environmental cooperation working groups had a common theme in 2020: water and human rights. The project was led by **Laura Varpasuo**, Sustainable Development Manager at Alko.

In the autumn, the group held the Water and Human Rights webinar, which sought to share information via experts and spark off debate within the sector. In total, the webinar attracted about 100 people, more than 50 wine importers, and wine producers from Spain, Italy, Portugal, Argentina, Chile and South Africa.

Varpasuo's colleague, **Rolf Erling Eriksen** (Leader Environment at Norway's Vinmonopolet), is pleased with the effectiveness of Nordic cooperation. "We hold monthly meetings to discuss environmental issues and measures. Countries do different things in different ways. That's why it's important for us to share information and learn from each other," says Eriksen.

Eriksen strongly believes that working together achieves results.

SUPPLY CHAIN

Realising human rights in the beverage supply chain

Alko engages in long-term efforts to promote responsible practices in the supply chain. We are continually investing in the development of our own operations and in mobilising responsible practices and developing competence in our supply chain.



Why this is important to us:

Alko wants to be a pioneer in responsible procurement. It is important for us to promote responsibility throughout our supply chain, all the way down to our products' countries of origins. We are concerned about the people working in our supply chain and their wellbeing. This requires us to turn words in action in a number of ways. Our goal is to increase transparency and information about the origin and responsibility of products, so that consumers are able to make more responsible purchasing decisions and thereby make an impact through their choices.



Our approach:

Alko's operating model for responsible procurement is based on amfori BCSI's operating principles. All of our suppliers are also committed to these principles. When it comes to furthering responsibility, it is important that we all pull together. In addition to working with operators in the supply chain and a variety of other stakeholders, we engage in close cooperation with the other Nordic alcohol monopolies. This cooperation gives us a wider sounding board for our efforts in an international environment. Alko's selection contains approximately 11,000 products. We are currently concentrating the majority of our responsible procurement measures on the products in our general selection and on primary production in those countries in which we consider human rights to be at the highest risk.



Our main objectives:

Safeguarding human rights in the supply chain and improving the traceability of product origins are our long-term goals. By 2030, we want to be able to fully trace all of the products in our selection right back to their main ingredients.

Our Nordic cooperation will be focusing on the responsible procurement of products containing sugar cane, promoting a living wage in primary production, and any follow-up measures resulting from the Water and Human Rights webinar that was held in 2020.



Cooperation with goods suppliers is vital

Close cooperation with goods suppliers and other operators in the supply chain paves the way for responsible business. Every supplier commits to Alko's responsibility requirements by approving amfori BSCI's Code of Conduct and the principle of due diligence contained therein. This means forwarding information to partners. We also require our contractual partners to complete our online training on ethical operating principles, which provides suppliers with Alko's and amfori's operating models for responsible procurement.

Alko also works closely with the Association of Alcoholic Beverage Suppliers in Finland (SAJK). We regularly meet with SAJK's responsibility working group – five times in 2020. At these meetings, we share industry knowledge and discuss the targets and focal points of our responsibility efforts. This ensures that the work being done by various actors has a common direction.

Alko is an amfori member

Amfori BSCI is an initiative launched by the Foreign Trade Association (FTA) to promote responsible trade all around the world. Alko joined amfori in 2011. Our operating model for responsible procurement is based on amfori BSCI's Code of Conduct. Our producer audits also follow this model. Thanks to its membership in amfori, Alko is able to harness the initiative's international network of experts, network with other member companies, and provide events and training on responsible practices to operators in its supply chain. Alko actively cooperates with amfori. We are also involved in a variety of development project teams consisting of amfori members, and in the activities run by amfori's country organisation in Finland.

THE CORE AREAS OF ALKO'S RESPONSIBILITY MEASURES



Human rights a priority in high-risk countries

In 2020, Alko's general selection contained products from 78 countries, of which 42 are high-risk countries. To identify high-risk countries, we use amfori BSCI's list of high-risk countries, which is based on a list published by the World Bank. High-risk countries are those in which deficiencies in social or environmental issues have been identified in beverage production. By "social risks", we mean negligence with respect to human rights. The most common forms of this in agriculture are deficiencies relating to safety or to seasonal harvesting and the occupational health of the seasonal workforce. These may involve inadequate induction, a lack of safety

equipment, or overtime that contravenes legislation on working hours. The use of child labour or forced labour are examples of serious human rights violations.

We also use the international Maplecroft risk management tool to identify risks, and we regularly discuss industry-specific risks in various Nordic cooperation forums. Based on this information, we draw up an annual plan for regional monitoring and competence development.

Improving transparency in the supply chain

Determining the origin of a product is the key to planning responsibility measures. We currently collect information

Close cooperation with goods suppliers and other operators in the supply chain paves the way for responsible business.

about all of the products in our selection, right back to the production facility. Information about products from high-risk countries is traced all the way back to farms. Multi-tier and continually changing supply chains pose their own challenges for data collection.

During 2020, we planned the introduction of a new supply chain information system. The roadmap for the system's procurement will be reassessed in 2021 to ensure that the system is compatible with our other product information management solutions. Improving transparency in the supply chain is a clear goal for us.

The beverage supply chain consists of a broad range of operators, including goods suppliers,

bottling plants, producers and ingredient suppliers. The number of operators in the supply chain varies depending on the product in question. The ingredients for wine are produced in vineyards, while the ingredients for beers and spirits often come from more complex sources. Some ingredients, such as molasses and sugar, are also purchased on international stock exchanges, which makes it difficult – if not impossible – to determine their origin. Alko primarily works with suppliers when approaching producers in its supply chain and countries of origin.

Strength through Nordic cooperation

The Nordic alcohol monopolies cooperate in a variety of ways, such as in the social responsibility working group. The three focal areas for cooperation in 2020 were water and human rights, the responsible procurement of sugarcane, and a living wage.

In November, we organised the Water and Human Rights webinar, which sought to highlight water-related challenges in different beverage categories from both environmental and human rights perspectives.

A major achievement regarding the responsible procurement of sugar occurred when the Nordic CEOs made a joint commitment not to accept any violations of human rights in the supply chains of products containing sugar. This announcement was made at the beginning of 2021. A sugar-themed programme of webinars with amfori is also in the pipeline.

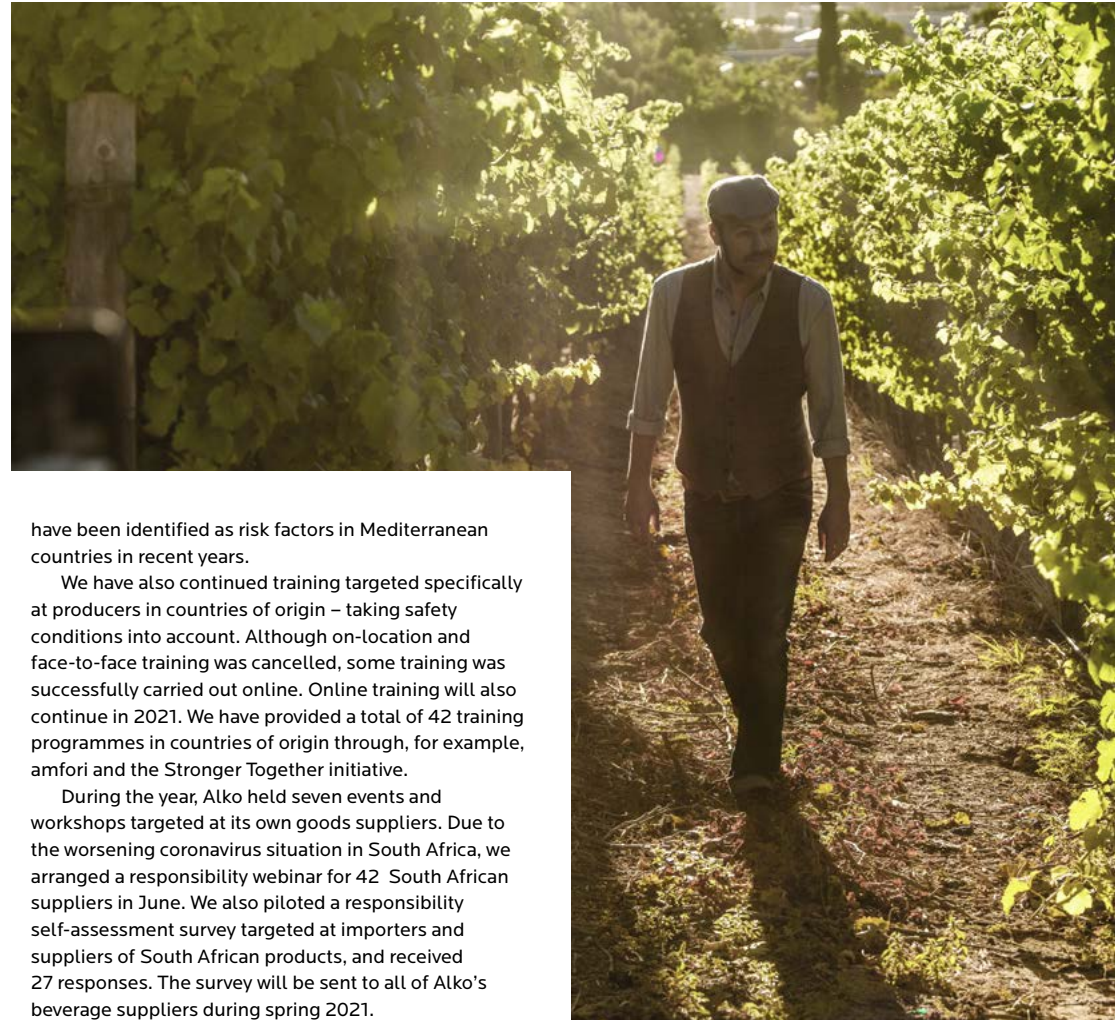
Another common deficiency that we have identified is agricultural workers not being paid a living wage in

the production of ingredients. We want to find out how we can improve their chances of being fairly compensated for their work. This will require determined, long-term efforts that are only just beginning.

Measures in countries of origin

The past year has been challenging in many ways due to the coronavirus. Many high-risk countries in Alko's supply chain have been hard hit by the pandemic. South Africa is one of the traditional wine regions in which conditions have sometimes been extremely difficult, and it has taken exceptional measures such as restricting the sale of alcohol both within the country and internationally.

Due to safety-related issues arising from the coronavirus, we did not conduct any amfori BSCI audits in countries of origin during 2020. In a normal year, we would have performed more than a dozen audits in high-risk countries. However, as part of our monitoring operations, we successfully managed to implement our planned responsibility visits to six wine producers in Portugal. These visits were a follow-up to the pilot launched in Spain in 2019. Although responsibility visits are a lighter version of amfori BSCI audits, they are still conducted by a third party on the basis of Alko's ethical principles. The goal is to gather data about areas that are not necessarily listed as high-risk countries by amfori BSCI, yet which may be considered to be potentially high-risk areas for other reasons. The stream of migrants coming from Africa and the high proportion of migrant workers in agricultural production



have been identified as risk factors in Mediterranean countries in recent years.

We have also continued training targeted specifically at producers in countries of origin – taking safety conditions into account. Although on-location and face-to-face training was cancelled, some training was successfully carried out online. Online training will also continue in 2021. We have provided a total of 42 training programmes in countries of origin through, for example, amfori and the Stronger Together initiative.

During the year, Alko held seven events and workshops targeted at its own goods suppliers. Due to the worsening coronavirus situation in South Africa, we arranged a responsibility webinar for 42 South African suppliers in June. We also piloted a responsibility self-assessment survey targeted at importers and suppliers of South African products, and received 27 responses. The survey will be sent to all of Alko's beverage suppliers during spring 2021.



More responsible wine production

Alko wants to promote social responsibility and the realisation of workers' rights in the wine supply chain. Cooperation with the IUF and PAM is the key to having an impact.

In April 2020, an agreement was announced between Alko, Service Union PAM and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF). This agreement seeks to promote human rights, humane working conditions and humane conditions of employment in the wine supply chain, and to ensure that any shortcomings are resolved.

There is genuine concern about the realisation of workers' human rights. "For example, very few workers in South Africa are unionised and they do not therefore have an equal negotiating position," says **Mari Taivainen**, Advisor for International Affairs at Service Union United PAM. "Our goal is for employees to have decent working and living conditions, as they are fundamental human rights."

The right to organise is also a human right. Although vineyards have committed to compliance with ethical principles, abuses do occur.

Concrete measures have already been taken to rectify the situation. Vineyards have been informed about the cooperation and processes that should be used to address reports made by workers. As farm owners are closely networked, information spreads naturally. Similarly, local workers' unions provide workers with information about their rights and the opportunity to report their observations.



Mari Taivainen, Advisor for International Affairs at Service Union United PAM

Building trust

An individual employee can report an injustice to the local trade union, which will then contact the local IUF agent. This will launch an official investigation and, if the matter cannot be resolved locally, the case will be referred to the IUF's headquarters in Geneva. Information about the report will then be sent to PAM and finally Alko.

Alko is involved in assessing the reports. "This cooperation model is on quite a different level to that in many similar types of agreements. Our common goal is not rhetoric, but rather concrete action," says Taivainen with satisfaction.

If individual cases can be resolved by negotiation, it will strengthen both employers' and employees' confidence in the process. At best, this will lead to an increase in the number of reports. "It's wrong to think that everything is fine if there are no reports," Taivainen reminds us.

Taivainen is extremely satisfied with the cooperation between PAM and Alko. "We've learnt a great deal from each other, such as the different perspectives involved and how they can be reconciled. I feel that Alko is committed and has a strong desire to find solutions," says Taivainen.

FINANCIAL RESPONSIBILITY

Rapid responses required during exceptional circumstances

Our operations have an extensive financial impact on our stakeholders and society. Excellent trends were seen in Alko's profitability during 2020.



Why this is important to us:

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



Our approach:

Alko operates openly and honestly. For us, financial responsibility means profitability, efficiency and competitiveness. We believe that the agility of our operating model helps us to react quickly and enables profitable business in a changing environment. Our investments support both store work and administrative efficiency.

We systematically measure the efficiency of our store operations and support functions. This helps us to respond quickly to anomalies.



Our main objectives:

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

The exceptional circumstances of 2020 brought major changes to our operations. While restrictions on bars, restaurants and travel increased Alko's sales, investments in staff and customer safety also increased our costs. Although the operating environment was difficult to predict, we were determined to maintain our efficiency and profitability. We therefore monitored developments in both sales and costs.

In addition to staff and customer safety, we made additional investments in logistics, which was essential during peak seasons in particular, due to increased flows of goods.

An increase in remote working, virtual cooperation meetings and digital training generated savings in areas such as travel and conference expenses. We invested EUR 3.5 million in the refurbishment of our store network during 2020. The most significant projects with regard to administrative efficiency were the renewals of the shift planning system and financial management system.

Scenario work became increasingly important during 2020. In the spring, we created several alternative plans based on how long and how extensively the pandemic might restrict society. These plans were discussed by the Management Team, and we always steered operations in accordance with the latest outlook. Maintaining several potential plans enabled us to react quickly, and the scenarios gave us a greater understanding of the framework in which we were operating.

An increase in tax revenues for society

Alko's business operations accrue considerable tax revenue for society. In 2020, sales generated EUR 656.1 (585.7) million in revenue from alcohol tax and EUR 311.2 (274.6) million in VAT. Alko's sales accrued a total of EUR 107.1 million more in alcohol tax and VAT revenue than in 2019. Our suppliers pay the majority

of the alcoholic beverage tax on products sold by Alko directly to the state.

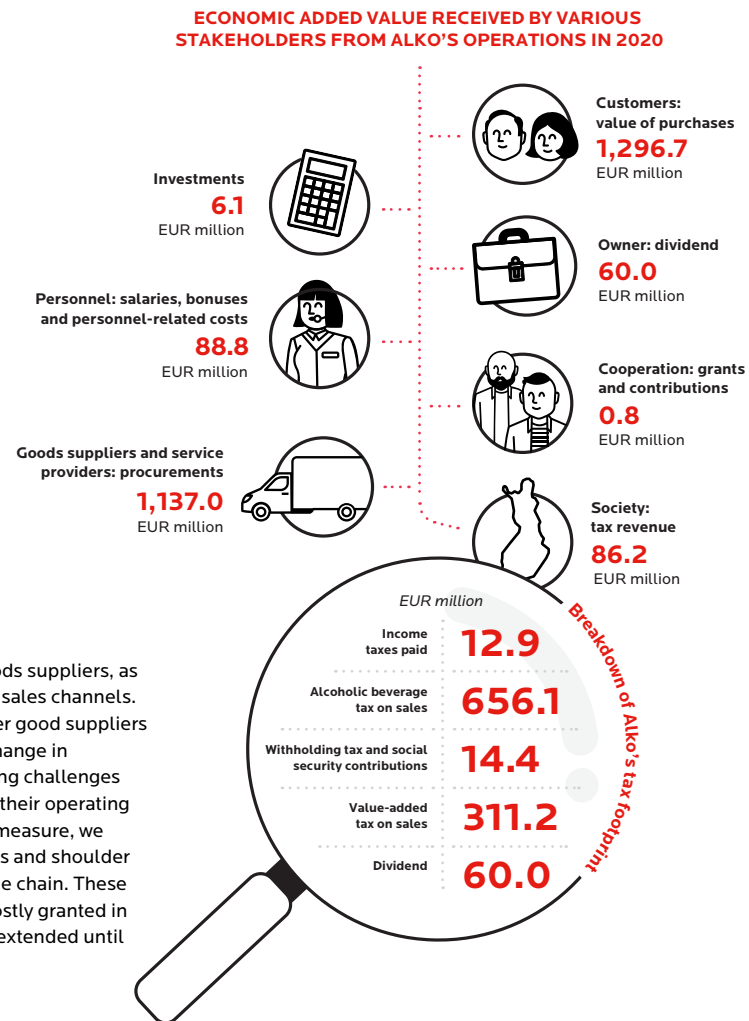
EUR 3.6 million more in salaries, bonuses and personnel-related expenses was paid than in 2019 – a total of EUR 88.8 million. Particular attention was paid to the availability of store staff. This was important, as we wanted to safeguard the quality of our customer experience in spite of increased customer numbers. Our strong profitability increased the amount of corporation tax that Alko paid in 2020 compared to 2019: a total of EUR 12.9 (8.1) million.

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

Alko cooperates with several associations and organisations. The impact of these grants and contributions on full-year profit came to EUR 0.8 (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.

Payment relief for goods suppliers

Many suppliers are suffering from the coronavirus restrictions placed on society. Restrictions on the serving of alcoholic beverages in bars and restaurants



have had a major impact on goods suppliers, as this partially closes one of their sales channels. In the spring, we decided to offer good suppliers the opportunity to apply for a change in payment terms if they were facing challenges with liquidity due to changes in their operating environment. With this special measure, we wanted to meet suppliers' needs and shoulder responsibility for the entire value chain. These special payment terms were mostly granted in the early spring and have been extended until the end of April 2021.

Governance

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Corporate Governance

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

Ownership and Corporate Governance

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

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

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

Ethical Principles

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

The key principles are integrity and legality, responsibility, a functional workplace community, transparency and equality, and a customer-oriented approach.

All personnel completed an online training course on our ethical principles in early 2020. This training has been registered in the HR system. The Ethical Principles are also included in the company's induction programme. Any changes to these principles are approved by the Board of Directors.

In accordance with our ethical principles, Alko personnel may not accept or give any direct or indirect gifts or benefits that could be considered to be bribery or corruption, attempts to exert inappropriate influence, or contrary to the principles of equity.

Alko Inc. requires all personnel to comply with the ethical principles and promote their realisation. Personnel should report any instances of non-compliance to their own supervisor, the supervisor's immediate supervisor, or the internal audit function. Although the company did not yet have a separate reporting channel (aka a "whistleblowing channel") in 2020, preparations are being made to introduce one. During 2020, there were no corruption-related legal cases in which Alko Inc. was the defendant.

ALKO'S ORGANISATION



AGM and Supervisory Board

Annual General Meeting

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

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

Supervisory Board

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

The Supervisory Board's tasks are:

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

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

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



Board of Directors and committees

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

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

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

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

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

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

- to consider the results of the company's personnel surveys
- to approve the company's corporate governance and rules of procedure for the Board of Directors and its committees, and to review their contents annually
- to consider reports from Board committees
- to consider matters presented by Board members or the President & CEO
- to address issues related to regulatory control.

On 14 May 2020, the Annual General Meeting elected Harri Sailas as Chair of Alko's Board of Directors and Markku Tervahauta as Vice-Chair. Kuisma Niemelä, Kirsi Paakkari, Pekka Perttula and Ulrika Romantschuk were elected as Members of the Board. Personnel representatives Sini Heikkinen and Riina Väntsi attended meetings of the Board of Directors without the right to vote.

The Board of Directors met 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 the Director-General of the National Institute for Health and Welfare. Alko's President & CEO Leena Laitinen attends Board meetings, along with the Executive Vice President, Finance (Anton Westermarck) and Legal Counsel (Jonna Björklund) as Secretary.



Committees of the Board of Directors

Alko's Board of Directors has three committees: the Auditing, Personnel and Responsibility Committees. The Board appointed the current chairs and members of these committees at its meeting on 11 June 2020. The Board has established rules of procedure for each committee, and these include its key tasks and principles.

Auditing Committee

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

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

The Auditing Committee consists of 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 (Sirrku 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 a minimum of three and a maximum of four 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 Markku Tervahauta. The Committee's presiding officer is Leena Laitinen (President & CEO) and its secretary is Heli Hassinen-Biberger (Executive Vice President, Human Resources).

Responsibility Committee

The Responsibility Committee assists and supports the company's Board of Directors in an advisory role in order to achieve social and health policy objectives in accordance with the Alcohol Act and to attain the company's other strategic targets for responsibility. The committee consists of three or four members of the Board of Directors. Experts from the Ministry of Social Affairs and Health also attend committee meetings when necessary. The Responsibility Committee convenes approximately 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–)
- FinnHEMS Oy, Chair of the Board (9 April 2020–)
- The Helsinki Deaconess Institute Foundation, Member of the Board of Trustees (2015–)
- HSE Foundation, Vice-Chair of the Board of Trustees (2014–2020)



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–)
- University of Tampere's Advisory Board on working life connections (2020–)
- Kela's Advisory Board, Member (1 July 2020–31 June 2023)
- National Nutrition Council of Finland (VRN), Chair (9 November 2020–8 November 2023)
- Advisory Board for Public Health, Division for assessing and monitoring health and wellbeing policy, Chair (1 September 2020–31 July 2023)



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–)
- Speys Oy, Board Member (2020–)
- 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–)
- Foundation of the Joint Agricultural Committee, Board Member (1995–)
- Alli Paasikivi Foundation, Board Member (2014–)



Ulrika Romantschuk

- b. 1966
- Member of the Board
- Bachelor of Political Science
- Nordea Bank Plc, member of the Group Leadership Team, Head of Brand, Communications and Marketing
- Member of the Board since 2017

Positions of trust:

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



Sini Heikkinen

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

Positions of trust:

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



Riina Väntsi

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

Positions of trust:

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

Management Team

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

Management Team

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

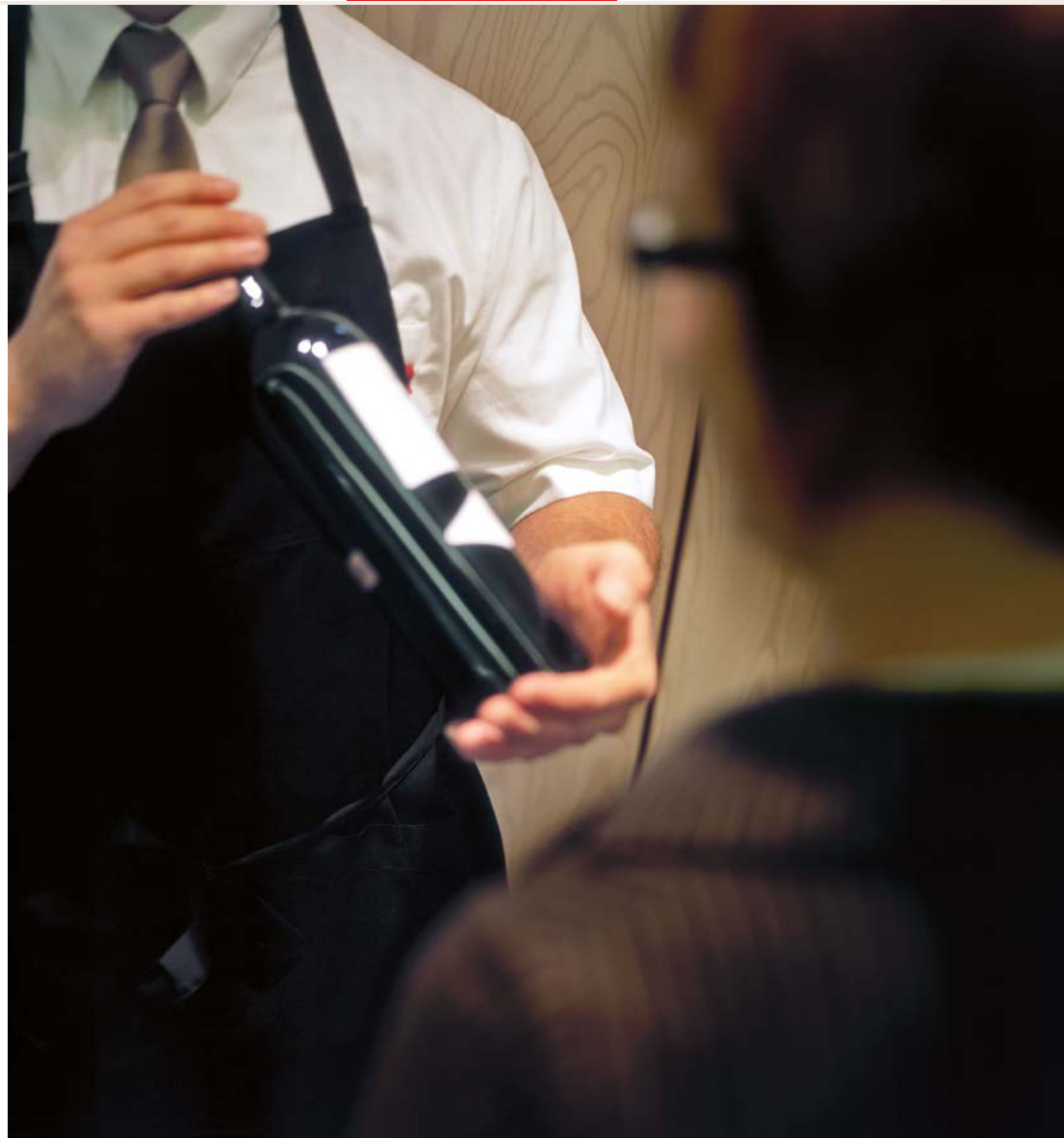
The company's 2020 Management Team consisted of Leena Laitinen (President & CEO), Kari Pennanen (Deputy CEO and Executive Vice President, Stores and Facilities), Maritta Iso-Aho (Executive Vice President, Communication), Heli Hassinen-Biberger (Executive Vice President, Human Resources), Anu Koskinen (Executive Vice President, Assortment and Procurement as of 1 July 2020), Mika Kauppinen (acting EVP, Assortment and Procurement, 1 December 2019–30 June 2020), and Anton Westermarck (Executive Vice President, Finance). The Management Team meets regularly, on average twice a month.

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

President & CEO

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

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



MANAGEMENT TEAM MEMBERS 31 December 2020

**Leena Laitinen**

- b. 1970
- Master of Science (Economics)
- President & CEO
- Joined Alko in 2017

**Heli Hassinen-Biberger**

- b. 1970
- MA, MBA
- Executive Vice President, Human Resources
- Joined Alko in 2019

**Maritta Iso-Aho**

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

**Anu Koskinen**

- b. 1972
- Master of Science (Economics)
- Executive Vice President, Assortment and Procurement
- Joined Alko on 1 July 2020

**Kari Pennanen**

- b. 1964
- Master of Social Sciences, eMBA, Certified Real Estate Manager
- Executive Vice President, Stores, Online and Customer Experience
- Joined Alko in 1989

**Anton Westermarck**

- b. 1968
- Master of Science (Economics)
- Executive Vice President, Finance
- Joined Alko in 2014

Salary and remuneration report 2020

Supervisory Board

The 2020 Annual General Meeting decided on the following fees for members who were present at Supervisory Board meetings:

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

The Supervisory Board convened five times in 2020.

The attendance rates and fees paid are shown in the table below.

Member of the Supervisory Board	Attendance at meetings (%)	Fees (EUR)
Arja Juvonen, Chair	100%	5,000
Hannakaisa Heikkinen, Vice-Chair	100%	4,000
Outi Alanko-Kahiluoto, member	80%	2,800
Kim Berg, member	100%	3,500
Petri Honkonen, member	80%	2,800
Pauli Kiuru, member	100%	3,500
Ari Koponen, member	100%	3,500
Mats Löfström, member	100%	3,500
Jari Myllykoski, member	100%	3,500
Tom Packalén, member	80%	2,800
Sari Sarkomaa, member	100%	3,500
Tuula Väättäin, member	100%	3,500
Total		41,900

Board of Directors

The 2020 Annual General Meeting decided on the following fees for members of the Board of Directors:

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

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

meeting was paid to all committee members who attended Board Committee meetings.

The Board of Directors convened ten times in 2020. Two meetings (on 30 March 2020 and 21 April 2020) 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 below.

Member of the Board	Attendance at Board meetings (%)	Monthly fees (EUR)	Board meeting fees (EUR)	Committee meeting fees (EUR)	Fees in total (EUR)
Harri Sailas, Chair	100%	33,000	4,800	3,600	41,400
Markku Tervahauta, Vice-Chair	100%	15,600	4,800	5,400	25,800
Kuisma Niemelä, member	100%	13,200	4,800	6,600	24,600
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
Total		101,400	28,800	26,400	156,600

Fees for 2020 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. The Government Resolution on State Ownership Policy issued on 8 April 2020 governs remuneration at Alko as of 1 January 2021.

SALARIES AND WAGES

	Total salary (EUR) (monetary salary) (EUR)		Short-term incentive, paid annually (EUR)		Benefits		Total (EUR)	
	2020	2019	2020	2019	2020	2019	2020	2019
President & CEO	340,617	340,600	64,000	100,138	15,025	15,000	419,642	455,738
Other members of the Management Team	888,656	956,599	163,006	288,870	34,255	29,818	1,085,917	1,275,287
Total	1,229,273	1,297,199	227,006	389,008	49,280	44,818	1,505,559	1,731,025

ANNUAL PAYMENTS OF ADDITIONAL PENSIONS

	2020* (EUR)	2019* (EUR)
President & CEO	-	-
Other members of the Management Team	92,256	108,109
Total	92,256	108,109

* Does not include potential refunds

PENSIONS AND NOTICE PERIODS

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

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 supervises the alcohol company's retail sales. In issues concerning Alko's decisions on the stocking, destocking and pricing of alcoholic beverages, appeals may be made to Valvira, the Administrative Court and the Supreme Administrative Court.

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

Risk management 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

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

- business interruptions caused by disruptions in ICT services and cybercrime
- critical information ending up in the wrong hands.

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

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 2020, 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

Alko's materiality themes

The materiality analysis seeks to identify the most important aspects of responsibility from the perspective of Alko and its stakeholders. Taking stakeholders' expectations into consideration is an important element of both our management system and drawing up our strategy and action plans. We engage in continuous dialogue with our stakeholders and strive to incorporate any changes in their expectations into our operations. We actively monitor any changes occurring in our operating environment.

Alko also engages in dialogue not only with organisations but also with customers, personnel, suppliers, political decision-makers and the media. In addition to suppliers, a significant role is played by companies, organisations, associations and other influential parties who operate either directly or indirectly in the international supply chain. For example, local associations in the beverage industry are important partners in terms of the effectiveness of our activities.

The material themes of Alko's responsibility efforts are described in the materiality matrix. These materialities were defined on the basis of a stakeholder analysis conducted in 2018. We will be updating our materiality matrix during 2021.

Material aspect management

The assessment identified the following material themes 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 the production of alcoholic beverages
6. Sustainable 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 identified materialities, the report also contains other information about sustainable development that is of interest to Alko's stakeholders. The aspect boundaries for the identified materialities were assessed with regard to their financial, social and environmental impact on Alko's value chain.

Material aspects	Aspect boundary
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 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 the production of alcoholic beverages	Alko Inc., goods suppliers
Customer experience	
Excellent customer experience	Alko Inc.
Cooperation with stakeholders	
Enhancing responsibility through partnerships	Alko Inc., organisations

Reporting principles

Alko has published an annual report in accordance with international Global Reporting Initiative (GRI) Standards since 2004. Our reporting follows the GRI's recommendation for sustainable development, the Government Resolutions on State Ownership Policy (2016 and 2020), and the Guidelines for the Reporting of the Country-Specific Taxes of Majority State-Owned Companies (2014). The report has been compiled in accordance with GRI Standards at Core level. In the GRI content index, each reported standard notes which year's version of the standard has been used. The report is published in Finnish and English, and is only available as a PDF. The report has not been externally assured.

Aspect boundaries

The Alko Group consists of Alko Inc. (the parent company) and four subsidiaries (joint-stock property companies) that are specified in the Notes to the Financial Statements. The information presented in the report is based on statements made in support of the company's operational activities and the figures from the audited accounts and financial statements. The report covers all of Alko's operations. The information on economic responsibility is based on Alko's financial reports, accounts and adopted financial statements. The indicators for social responsibility are drawn from HR systems, payroll systems, service providers and accounts. The figures for environmental responsibility are largely drawn from our own systems and service providers. Personnel figures are calculated according

to the Accountancy Board's general guidelines for the preparation of annual reports. The Corporate Governance section adheres to the applicable sections of the Finnish Corporate Governance Code. The financial statements were prepared in accordance with Finnish Accounting Standards (FAS).

Calculation principles for Alko's corporate responsibility indicators

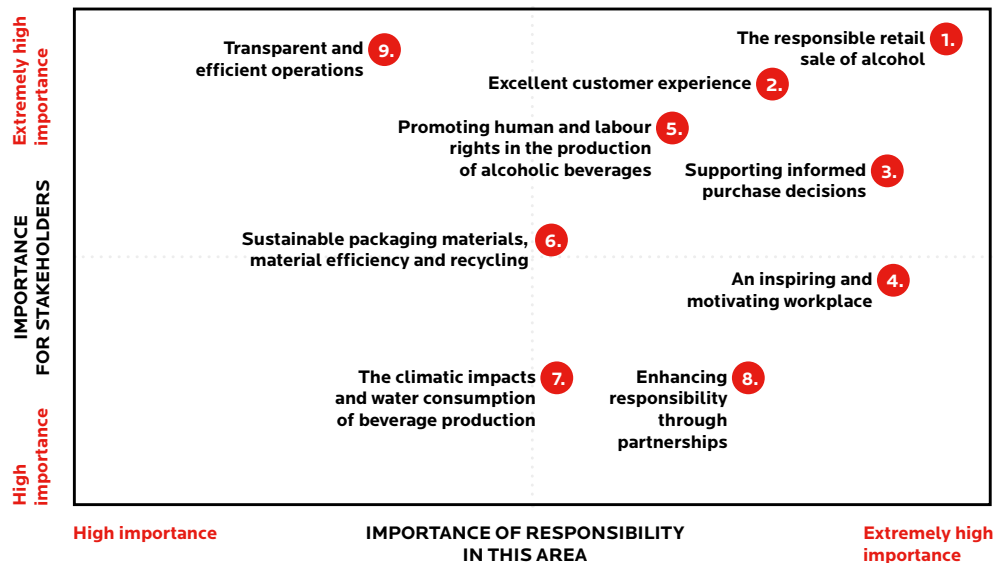
Own aspect: Sustainable packaging materials, material efficiency and recycling

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

Own aspect: carbon dioxide emissions from beverage packaging

Carbon dioxide emissions (CO₂e) caused by beverage packaging in Alko's selection are measured in tons per million litres. The quantities of beverage packages sold by Alko are obtained from Alko's Data Platform using the Power BI reporting system, which provides sales statistics by package type. Sales volumes are multiplied by the average carbon dioxide emission values (CO₂e) for the various package types and sizes.

MATERIALITY MATRIX



Own aspect: Supporting informed purchase decisions

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

Electricity consumption in stores and at head office

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

Carbon dioxide emissions from imports

These figures are obtained by collating data from the emission reports supplied by our import partners. This is the first time that this approach has been used in emissions reporting.

Carbon dioxide emissions from domestic distribution to stores

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

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

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

Mystery Shopping

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

Measures to ensure responsible procurement

Alko monitors compliance with ethical operating principles in the supply chain with the aid of amfori BSCI audits. 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, partners, 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 2020. Our report for 2019 was published in March 2020. For additional information, contact Alko's communications unit: Virpi Valtonen, Sustainability Specialist (virpi.valtonen@alko.fi) or Varpu Göös, Communications Manager (varpu.goos@alko.fi).

GRI content index

GRI Standard	GRI content	Location	Additional information	Version
	GRI 102 GENERAL CONTENT			2016
102-1	Name of the organisation	Alko in brief		
102-2	Activities, brands, products, and services	Alko in brief		
102-3	Location of headquarters	Alko in brief		
102-4	Location of operations	Alko in brief		
102-5	Ownership and legal form	Alko in brief		
102-6	Markets served	Alko in brief		
102-7	Scale of the organisation	Alko in brief		
102-8	Information on employees and other workers	Personnel	Average number of employees with permanent contracts during 2020: 2,196. Women 1,669 (76%), men 527 (24%). Average number of employees with fixed-term contracts during 2020: 249. Women 197 (79%), men 52 (21%).	
102-9	Supply chain	Alko in brief, Supply chain		
102-10	Significant changes to the organisation and its supply chain	Responsible sales and customer experience		
102-11	Precautionary principle or approach	Environment, Responsibility management		
102-12	External initiatives	Supply chain		
102-13	Membership of associations	Alko's stakeholder cooperation		
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 management		
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	Salary and remuneration report, Personnel		
102-36	Process for determining remuneration	Personnel	No external remuneration consultants have been used to determine remuneration.	
102-40	List of stakeholder groups	Alko's stakeholder cooperation		
102-41	Collective bargaining agreements	Personnel	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 Alkoholilalan Toimihenkilöt ry and Service Sector Employers PALTA. Alko adheres to these collective agreements in all employment contracts, except those in which a person's terms and conditions of employment have been agreed on using an executive employment contract.	
102-42	Identifying and selecting stakeholders	Alko's stakeholder cooperation		
102-43	Approach to stakeholder engagement	Alko's stakeholder cooperation		
102-44	Key topics and concerns raised by stakeholders	Alko's stakeholder cooperation		

GRI Standard	GRI content	Location	Additional information	Version
102-45	Entities included in the consolidated financial statements	Financial Statements		
102-46	Defining report content and topic Boundaries	Responsibility management, Alko's materiality themes		
102-47	List of material topics	Responsibility management, Alko's materiality themes		
102-48	Restatements of information	Reporting principles		
102-49	Changes in reporting	Reporting principles		
102-50	Reporting period	Reporting principles		
102-51	Date of most recent report	Reporting principles		
102-52	Reporting cycle	Reporting principles		
102-53	Contact point for questions regarding the report	Reporting principles		
102-54	Claims of reporting in accordance with the GRI Standards	Reporting principles	This report has been compiled in accordance with GRI Standards at Core level.	
102-55	GRI content index	GRI content index		
102-56	External assurance	Reporting principles	No external assurance of the report has been performed.	
	GRI 103 MANAGEMENT APPROACH			2016
103-1	Explanation of the material topic and its boundary	Responsibility management, Alko's materiality themes		
103-2	The management approach and its components	Responsibility management		
103-3	Evaluation of the management approach	Responsibility management		
	ECONOMIC TOPICS			
	GRI 201 ECONOMIC PERFORMANCE			2016
201-1	Direct economic value generated and distributed	Financial responsibility		
201-2	Financial implications and other risks and opportunities due to climate change	Risk management, Environment	Risks and opportunities have not been reported in terms of monetary estimates or actual figures. This 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.	
	GRI 203 INDIRECT ECONOMIC IMPACTS			2016
203-2	Significant indirect economic impacts	Financial responsibility		
	GRI 205 ANTI-CORRUPTION			2016
205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance		
205-3	Confirmed incidents of corruption and actions taken	Corporate Governance		

GRI Standard	GRI content	Location	Additional information	Version
	GRI 206 ANTI-COMPETITIVE BEHAVIOUR			2016
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		In 2020, there were no legal actions, fines or other consequences arising from competition regulations.	
	ENVIRONMENTAL IMPACTS			
	Own aspect: Sustainable packaging materials, material efficiency and recycling	Environment		
	Own aspect: carbon dioxide emissions from beverage packaging	Environment	In 2020, the CO ₂ e emissions caused by beverage packaging totalled 38,545 tons, that is, 416 tons of CO ₂ e per million litres.	
	Own aspect: Supporting informed purchase decisions	Environment, Selection		
	GRI 302 ENERGY			2016
302-1	Energy consumption within the organisation	Environment	Alko's head office and store network consumed 12.3 GWh of electricity in 2020.	
	GRI 305 EMISSIONS			2016
305-2	Energy indirect (scope 2) GHG emissions	Environment	Electricity consumption at head office and in the store network caused a total of 630.8 tons of CO ₂ emissions. This figure takes into account the green electricity that was both purchased by Alko and included in electricity contracts signed by landlords. The emission coefficient used for electricity consumption was the specific emission coefficient for energy production as per the latest residual distribution published by the Energy Authority in 2019: 249.29 kg CO ₂ /kWh.	
	GRI 306 WASTE			2016
306-2	Waste by type and disposal method	Environment	In 2020, Alko sent 3,816 tons of cardboard waste and 86 tons of pallet plastic for recycling. From 2020 onwards, Alko will report on both cardboard and plastic using computational monitoring. Alko's operations do not generate statistically recorded hazardous waste.	
	SOCIAL IMPACTS			
	Own aspect: The responsible retail sale of alcohol	Responsible sales and customer experience		
	GRI 401 EMPLOYMENT			2016
401-1	New employee hires and employee turnover	Personnel	Average number of employees with fixed-term contracts during 2020: 249. Women 197 (79%), men 52 (21%).	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Personnel	All personnel are entitled to benefits.	
	GRI 402 LABOUR/MANAGEMENT RELATIONS			2016
402-1	Minimum notice periods regarding operational changes	Personnel	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. The cooperation agreements are attached to both collective agreements. They specify the purpose and objectives of the cooperation to be complied with at Alko and the parties involved. The cooperation agreements also specify the regulations governing the consultative committee. Alko's consultative committee comprises both employer representatives and representatives from both personnel organisations.	
	GRI 403 OCCUPATIONAL HEALTH AND SAFETY			2018
403-1	Occupational health and safety management system	Personnel	All employees are covered by an occupational safety organisation. We comply with the Occupational Health and Safety Act and the Occupational Healthcare Act.	
403-2	Hazard identification, risk assessment, and incident investigation	Personnel	Each Alko location assesses occupational safety risks on a quarterly basis as set out in the annual calendar. Any deficiencies identified during risk assessment are assigned to a supervisor who is responsible for development measures to eliminate occupational safety hazards and to develop occupational safety. Carrying out risk assessments is part of the employee induction programme. Workplace accidents reported by the business locations are investigated by the occupational protection organisation. Accidents that occur during work commutes are not investigated – it is more challenging to influence them, as we cannot affect the environment outside our own locations.	

GRI Standard	GRI content	Location	Additional information	Version
403-3	Occupational health services	Personnel	Alko's occupational healthcare services have been organised at a national level and cover all personnel. Occupational healthcare plays an important role in preventing and combating health hazards caused by work and working conditions, and in promoting and protecting employees' health, safety and working capacity.	
403-4	Worker participation, consultation, and communication on occupational health and safety	Personnel	The collective agreement includes an occupational safety agreement. Alko has a company-level occupational safety committee that includes representatives of personnel groups. It consists of four representatives of waged staff/salespeople, two representatives of salaried staff, and two representatives of the employer.	
403-5	Worker training on occupational health and safety	Personnel	Employees are given induction in occupational health and safety issues. In addition, all employees receive safety training and online training on topics related to health and working capacity. Regular training on working capacity management is also organised for supervisors. Subcontractors are responsible for this with regard to their own employees in cooperation with Alko.	
403-6	Promotion of worker health	Personnel	In addition to statutory occupational healthcare, Alko provides extensive occupational healthcare services, medical treatment, specialised medical treatment and wellbeing services.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Supply chain	Alko's goods suppliers commit to Alko's responsibility requirements by approving amfori BSCI's Code of Conduct and the principle of due diligence contained therein.	
403-8	Workers covered by an occupational health and safety management system	Personnel	Everyone working for Alko is covered by its occupational health and safety management system.	
	GRI 404 TRAINING AND EDUCATION			2016
404-1	Average hours of training per year per employee	Personnel	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	Personnel	Coaching for transitional situations is provided as necessary. No significant transitions occurred in 2020. In 2020, supervisors were provided with support and tools for leadership during the exceptional circumstances caused by the coronavirus pandemic. The company does not have transition training programmes for retirement.	
404-3	Percentage of employees receiving regular performance and career development reviews	Personnel	Target and competence discussions are held regularly at Alko, 1–2 times a year. All personnel take part in these discussions.	
	GRI 405 DIVERSITY AND EQUAL OPPORTUNITIES			2016
405-1	Diversity of governance bodies and employees	Personnel, Board of Directors and committees, Management Team		
405-2	Ratio of basic salary and remuneration of women to men	Personnel	This information is not available. We will develop reporting in the future. The grounds for remuneration are the same, regardless of gender.	
	GRI 406 NON-DISCRIMINATION			2016
406-1	Incidents of discrimination and corrective actions taken		We are not aware of any cases of discrimination in 2020.	
	GRI 407 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			2016
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Supply chain	Alko upholds freedom of association as guaranteed by the Constitution of Finland. In 2020, the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) informed Alko of one suspected violation of freedom of association in our supply chain. Investigation of this case is currently ongoing.	
	GRI 414 SUPPLIER SOCIAL ASSESSMENT			2016
414-1	New suppliers that were screened using social criteria	Supply chain	All of Alko's product suppliers sign a Code of Conduct when they offer products for the selection. Suppliers and producers of beverages in Alko's general selection are subject to assessment. More detailed information about the supply chain is collected and assessed, and operations are monitored in high-risk areas. Producers are audited on the basis of risks. The company has not kept any statistics on the percentage accounted for by new suppliers with respect to these risks.	

GRI Standard	GRI content	Location	Additional information	Version
	GRI 415 PUBLIC POLICY			
415-1	Political contributions	Financial responsibility	Alko does not grant financial support to political actors.	
	GRI 416 CUSTOMER HEALTH AND SAFETY			2016
416-1	Assessment of the health and safety impacts of product and service categories	Selection	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 selections, 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.	Selection	There were no public consumer recalls of products in 2020.	
	GRI 417 MARKETING AND LABELLING			2016
417-1	Requirements for product and service information and labelling	Selection	Inspections of label marks were included in quality check statistics from the beginning of 2020. A total of 1,838 inspections were performed.	
	GRI 419 SOCIOECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area		On 11 March 2020, the National Supervisory Authority for Welfare and Health Valvira imposed a maximum penalty fee on Alko in accordance with the Alcohol Act. The penalty fee is EUR 1,000. Alko's special status requires the company to comply with the Alcohol Act in an exemplary manner and to closely monitor its own operations. When the new Alcohol Act came into force, Alko should have revised its operating methods for Etiketti tastings in cooperation with the authorities. These tastings were based on Alko's statutory right to engage in the retail sale of alcohol and that course participants had the right to buy wines to taste at the event in the form of a joint purchase. Under the new law, Alko is not allowed to deliver products to the course venue if the buyers are consumers. In such cases, the participants would have to collect the products from the store themselves. Alko has not organised any Etiketti tastings since September 2019.	

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Report of the Board of Directors

Board review

Alko is the medium through which Finland fosters a responsible drinking culture. The company's Nordic welfare model has two aims: to prevent and reduce the harmful effects of alcohol on health and society, and to enable people to enjoy beverages.

In accordance with these targets, Alko has provided safe, responsible and excellent customer service even during the coronavirus pandemic. A coronavirus team led by the CEO was established at the end of February, consisting of the Safety Manager and members of the Management Team. The coronavirus team is responsible for monitoring official guidelines, establishing a common understanding of the situation, and making decisions to safeguard health security and business continuity. The company has taken numerous measures to ensure safe working conditions for personnel, safe shopping for customers, and business continuity.

The coronavirus pandemic has affected alcohol sales channels. Sales of alcohol via Alko and grocery stores increased due to restrictions on travel and licensed premises. Alko's sales rose by 13 per cent in terms of litres. The serving of alcoholic beverages on licensed premises accounted for about 10 per cent of total alcohol consumption and travellers' private imports for about 15 per cent. The more limited availability of alcohol in 2020 reduced total consumption compared to the previous year.

Alko has also taken special measures to alleviate the situation for suppliers and small producers. Shorter payment terms on sales invoices were immediately offered to suppliers in the spring. Small producers have also been able to register their products for sale in 20 stores free of charge instead of the usual 10 stores in addition to the online shop. Small producers' products were also featured in special displays in all stores from the end of June to July.

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

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

This strategy has been successfully put into practice in spite of the coronavirus, and development projects have been carried out as planned. Thanks to digitalisation, new operating models could be quickly created in areas such as personnel competence development.

In accordance with its mandate, the company does not seek to sell as much alcohol as possible or to maximise its financial performance. Cost-

effective operations are, however, important. Processes, forecasting and effectiveness were all developed to ensure efficiency. These measures were reflected in the company's result for 2020. Cost-effectiveness improved on the previous year.

In autumn 2020, Alko updated its strategy in response to the changes that the coronavirus pandemic has caused in the operating environment, such as breakthroughs in digitalisation, customers' more personalised expectations, and greater awareness of environmental impacts. However, Alko's strategy still retains its ambitious targets with respect to customers, responsibility, personnel and efficiency. The strategy was supplemented by defining Alko's significance and culture, and putting them into words. Its significance was encapsulated in the slogan "Responsible enjoyment". The implementation of the company's strategy is ensured by a supportive corporate culture. The cornerstones of Alko's culture were determined to be working together, clarity and impact.

Finns support Alko and its responsible mission to be of service to both customers and Finland's welfare society. 66 per cent (2019: 68%) of Finns consider the restrictions imposed by alcohol policy to be suitable or would like to see tighter restrictions, while 27 (28) per cent would like to relax the restrictions. Women are in favour of stricter restrictions than men. 60 (62) per cent

of Finns think that Alko is a good method of limiting the harmful effects of alcohol consumption. 82 (85) per cent of Finns think Alko has been highly or quite successful in its customer service. When it comes to responsibility, 84 (83) 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 latest results were published in February 2021.

Alko's net sales including alcohol tax totalled EUR 1,296.7 (1,144.0) million. Net sales excluding alcohol tax were EUR 640.6 (558.3) million. Changes in sales channels brought about by the coronavirus pandemic contributed to net sales growth. Outgoing international passenger traffic from Finland has been almost at a standstill. Restaurants and bars were closed for part of the year and subject to restrictions at other times. Alko's fixed costs totalled EUR 151.7 (149.1) million. Fixed costs rose slightly on the previous year as a consequence of increased personnel costs. Personnel costs rose by EUR 3.6 million due to investments in customer service (especially during peak seasons), and a general pay rise in the spring. Operating profit totalled EUR 64.8 (40.1) million, representing 5.0 (3.5) per cent of net sales including alcohol tax.

Financial income and expenses totalled EUR -1.0 (0.0) million in 2020. Profit for the financial year was EUR 50.9 (31.9) million. The balance sheet total came to EUR 310.0 (262.0) million. The equity ratio was 36.8 (35.5) per cent. The company's total

investments amounted to EUR 6.1 (7.6) million. Investments mainly focused on strategic projects and developing the Alko store network. The company continued to invest in the development of its multichannel customer service.

KEY FIGURES

ALKO INC.	2018	2019	2020
Net sales (EUR million)	1,153.6	1,144.0	1,296.7
Net sales excluding alcohol tax (EUR million)	564.3	558.3	640.6
Operating profit (EUR million)	46.0	40.1	64.8
Income tax on ordinary operations (EUR million)	-9.3	-8.1	-12.9
Profit for financial year (EUR million)	37.0	31.9	50.9
Income from ordinary operations (EUR million)	37.0	31.9	50.9
Dividend (proposal 2020) (EUR million)	30.0	30.0	60.0
Return on equity (%)	41.8	34.6	49.2
Equity ratio (%)	34.8	35.5	36.8
Balance sheet total (EUR million)	261.8	262.0	310.0
Gross investments in fixed assets (EUR million)	10.1	7.6	6.1
Average number of personnel during the financial year	2,452	2,466	2,454

Taxation and prices

Excise duties on alcohol were not increased in 2020. On average, Alko's retail prices remained the same as in the previous year. Goods suppliers had the opportunity to change their prices in February, June and October.

The alcohol tax, VAT, fees, corporation tax and dividends collected via Alko benefit everyone in Finland. A total of EUR 967 million in revenue from alcohol tax and VAT was accrued for the State in 2020, which was EUR 107 million more than in 2019.

World-class service – commendable contacts

In 2020, Alko's service network consisted of 364 (361) stores, 126 (100) pick-up points, the online shop and the mobile app. During the year, new stores were opened in Hyvinkää, Jyväskylä, and the Jakomäki and Myllypuro districts of Helsinki. One of the two stores in the Jumbo shopping centre was closed when the lease expired. A total of 57.2 (54.3) million customers shopped at Alko. At the end of the year, the online shop had a total of 150,000 registered customers and the mobile app had 100,000 users. The number of online orders rose by 92 per cent compared to the previous year.

Alko's service quality is measured with the National Customer Service Feedback survey (KAP) carried out by Taloustutkimus. In the survey, Alko received the best score in the Finnish retail sector for the twelfth year in

a row with an average score of 8.53 (target 8.57). Alko ranked second among all service companies, behind the library. Customer satisfaction with the online shop exceeded expectations with an NPS of 74.3 (target 74.0). Alko's customer service received approximately 90,000 customer contacts in 2020, representing an increase of 22 per cent on the previous year.

Alko continued to develop its service network and digital customer experience with the aim of providing an even smoother multichannel service experience. As part of these efforts, Alko launched a new online product request service in September 2020. Through Alkotoive, customers can request a product – either from Alko's selection or otherwise – to be stocked by a specific store. 15,700 requests had been made by the end of the year, of which about 20 per cent had been fulfilled.

The world in a glass

During 2020, Alko's selection consisted of a total of 12,505 (10,991) different products, including beverages from 78 (73) countries and 780 (651) suppliers.

Alko lists new products for sale on a weekly basis. Including seasonal products and special editions, 1,041 (989) new products were introduced to the general selection. 1,837 (1,450) new products were added to the sale-to-order selection. Alko's selection had 201 (189) non-alcoholic beverages.

Alko measures customer satisfaction with its selection twice a year using a Selection Satisfaction Survey carried out by Dagmar Drive. Selection satisfaction was at an all-time high with a score of 8.56 out of 10 (target 8.53).

Don't let a drop become an ocean – a pioneer in responsibility

In accordance with its mandate, responsibility is the main focus of the company's strategy and Alko staff consider responsibility to be an important component of meaningful work. Responsibility is assured in decision-making and the daily work of all Alko employees.

Responsibility focused on measures to prevent the harmful effects of alcohol and reduce negative climate impacts – without forgetting other aspects of responsibility.

Alko actively interacts with its stakeholders. The company continually develops its operations on the basis of feedback.

Responsibility management

Alko sets clear annual targets for both responsible operations and their development. The responsibility working group handles responsibility development projects and measures. 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.

Alko's Board of Directors regularly reviews key responsibility measures 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 implementation of the responsibility plan to Alko's General Meeting. The AGM decides on the maximum amount of donations to be granted by the company.

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

Alko's responsibility performance is measured by the general public using the score generated by T-Media Oy's Confidence and Reputation survey. The score for 2020 was 3.48, which was slightly below the target of 3.55 (on a scale of 1–5).

Championing wellbeing, fighting social exclusion

The harmful effects of alcohol consumption were prevented through both words and deeds. In 2020, Alko took measures to support the wellbeing of families with children and people undergoing life transitions, such

as moving from primary to secondary school or retiring from work.

Alko's most significant cooperation projects were the FASD campaign in collaboration with the Finnish Association on Intellectual and Developmental Disabilities; participation in the *Declaration of Family Peace* with the A-Clinic Foundation and City of Helsinki; and promoting wellbeing and healthy lifestyles in collaboration with the Finnish Olympic Committee.

Alko once again challenged Finland's largest grocery store chains to join the FASD campaign. R-kioski and the S Group responded to the challenge by starting the sale of alcohol nine minutes later than usual on FASD day (in line with Alko stores) and issuing customer communications advocating a sober pregnancy. The campaign attracted interest, especially in social media, and its look received positive feedback from stakeholders.

Alko was involved in the peace corps for the *Declaration of Family Peace*. Part of this work involved supporting the *Lunch for Every Child* campaign. The 1,100 food boxes purchased with Alko's contribution were distributed to families of limited means all across Finland via member organisations of the Federation of Mother and Child Homes and Shelters.

Alko and the Finnish Olympic Committee want to promote exercise, wellbeing and healthy lifestyles for

all Finns, and in particular children and young people. For the sixth time, the company presented the Sports Club of the Year award at the Finnish Sports Gala. Alko's Välväsi was also visible at the gala, reminding people of the importance of drinking water, even when enjoying an alcoholic beverage.

Uncompromisingly responsible customer service

Checking age limits, suspected cases of intoxication and suspected handovers of alcohol to minors form part of Alko's responsible customer service and are a tangible means of preventing the harmful effects of alcohol at the individual level. 5.4 (4.6) million Alko customers showed proof of their legal age in stores. 0.5 (0.5) million checks of suspected intoxication and 0.3 (0.3) million checks of suspected handovers were also carried out.

Alko measures the success of these checks using a Mystery Shopping survey. Mystery shopping is a research method based on observation, in which young test customers do business as ordinary customers. An all-time best success rate was achieved in age-limit checks: 97.9 (target: 96.0) per cent. This excellent result reflects the solid professionalism of Alko staff and their uncompromising commitment to responsibility.

Environmentally friendly choices

The main environmental risks in the alcoholic beverage industry are changes in cultivation conditions in primary production as a consequence of climate change. The most significant of these are increased temperatures during the growing season and worsening droughts in areas already suffering from critical water shortages. Climate change has 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 in primary production and their indirect, long-term harmful effects on local ecosystems and communities.

Alko is committed to curbing climate change in accordance with the UN's Sustainable Development Goals, by reducing the environmental impact of its operations and the overuse of natural resources. Alko's environmental work is based on its strategy and environmental policy. The most significant environmental impacts in the 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. The most effective way of reducing emissions in the alcoholic beverage supply chain is to increase the proportion of environmentally responsible packaging.

Alko's Green Choice range and its various symbols indicate the producer's commitment to environmental

efforts and sustainable development, thereby helping consumers to make more responsible choices.

There are seven Green Choice symbols: natural wine, biodynamic, certification of sustainable development, organic, vegan, environmentally responsible packaging, and the new carbon neutral symbol. At the end of 2020, Green Choice products accounted for 30 per cent of Alko's selection (target 40%) and 35 per cent of sales in litres (target 30%).

Alko's current ISO 14001:2015 certificate covers the company's own operations, in which the main source of emissions is electricity consumption in the store network. Store refurbishments take energy saving into account with, for example, more efficient space solutions and the installation of LED lighting. After a store is refurbished, electricity consumption per square metre falls by about 10 per cent. Electricity consumption in the store network as a whole fell by four per cent on the adjusted consumption data for 2019. 165 stores use certified emission-free electricity generated by hydroelectric power. In addition, the electricity purchased by 152 stores via lease agreements comes from a variety of green energy sources.

On the basis of emissions analyses, the efficiency of the distribution model for store deliveries was enhanced in cooperation with Alko's transport partners. As a result of these measures, emissions decreased by about eight

per cent during the year, and a reduction of one third was achieved in Helsinki compared to 2019.

In 2020, water and human rights was a common theme for the Nordic alcohol monopolies' social responsibility and environmental working groups. Alko commissioned a study on the connection between water and human rights – and particularly in drought-stricken wine producing regions – from the Stockholm International Water Institute. The results of this report were shared with suppliers and producers at an international webinar in November.

Success through enthusiasm

In 2020, Alko defined cultural targets on the basis of a corporate culture analysis performed in 2019. These ideas were encapsulated in three main targets – team spirit, clarity and impact – and will be incorporated into Alko staff's everyday actions and choices.

The coronavirus pandemic posed a whole new set of challenges in terms of personnel development, but thanks to new digital training methods and formats, new ways were quickly found to maintain and strengthen Alko's service and product expertise. Alko employees received an average of three days of training in 2020.

The Alko Learner project used a service design approach to investigate competence development and educational needs and requests. Based on the results,

Alko's competence development model and training were revised for 2021. Alko has also decided to introduce a digital learning environment in early autumn 2021 to support the learning experience. Profound service and product expertise will ensure world-class service.

Alko had an average of 2,454 (2,466) employees in 2020. 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 1,937 (1,898) work-years.

A shift planning system was introduced in the store network in 2020, and this has enabled centralised shift planning.

Alko's strategic incentive scheme uses targets and indicators for responsibility, customers, personnel and efficiency to guide employees to successfully implement Alko's strategy through teamwork. According to the financial statements, wages and commissions for personnel totalled EUR 74.6 (71.8) million in 2020. Incentives totalling EUR 2.8 (2.8) million were paid to personnel and management, which accounted for 3.7 (3.9) per cent of personnel costs.

Alko makes outlays on personnel wellbeing and the prevention of working capacity risks – occupational healthcare and safety are an important aspect of this. During the coronavirus pandemic, our safety efforts also focused on good mental health.

We updated our working capacity operating models, provided supervisors with coaching in working capacity management and leadership during exceptional circumstances, and also offered support for supervisors' own wellbeing and ability to cope at work. A personnel health survey in the spring formed the basis for directing staff to a variety of needs-based support services for wellbeing and working capacity. At the end of the year, Mental Health Finland named Alko as a *Hyvän Mielen Työpaikka* (a workplace that promotes good mental health) on the basis of our application.

Respecting human rights

Alko is committed to respecting all internationally recognised human rights. We published a human rights commitment in December 2017. All beverage suppliers must commit to amfori BSCI's Code of Conduct for the supply chain, which is based on international agreements and commitments.

The most significant human rights risks identified in the alcoholic beverage supply chain relate to the primary production of ingredients and seasonal labour. Problems identified in the industry include ambiguous

management practices, exceeding statutory working hours, and compromising on occupational health and safety. Seasonal workers in particular are subject to violations of human rights and labour rights.

Due to the coronavirus pandemic, Alko did not conduct any amfori BSCI audits in countries of origin in 2020. Alko was not made aware of any zero-tolerance cases (as specified in amfori BSCI's protocol) in the supply chain. Zero-tolerance cases are by nature flagrant violations or negligence that require immediate intervention.

Alko conducted six sustainability visits to Portuguese wine producers as planned. These visits were a continuation of the pilot launched in Spain in 2019. 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. Like audits, the sustainability visits were carried out by a third party selected through competitive tendering.

Alko, Service Union PAM and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) signed a Memorandum of Understanding in early 2020. This memorandum seeks to prevent risks to human and labour rights in the beverage supply chain and to ensure that any shortcomings are resolved. The Nordic alcohol monopolies are aiming to standardise their cooperation model and practical processes.

Ethical Principles

Alko has Ethical Principles that have been approved by the Board of Directors and were completely updated in 2019. All employees completed 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. The ethical principles are discussed and approved by the company's Board of Directors on an annual basis.

In accordance with its ethical principles, Alko personnel may not accept or give any direct or indirect gifts or benefits that could be considered as bribery or corruption. Alko requires every employee to comply with and promote its ethical principles. 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. During 2020, there were no ongoing legal cases or investigations into non-competitive behaviour involving Alko.

Shares and shareholders

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

Governance

On 14 May 2020, Alko's Annual General Meeting elected Harri Sailas, M.Sc. (Econ.), as Chair of the Board and Director General Markku Tervahauta, MD, PhD, as Vice-Chair of the Board. The Annual General Meeting also elected the following members: Kuisma Niemelä, MA; CEO Kirsi Paakkari, M.Sc. (Econ.); Pekka Perttula, PhD (Political Science); and Ulrika Romantschuk, EVP, Head of Brand, Communication and Marketing, BA (Political Science).

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

The Board of Directors has three committees, namely the Audit, Personnel and Responsibility Committees. The auditors appointed for the company are the Authorised Accounting Firm KPMG Oy. The chief auditor is 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 assessments are performed, named persons are assigned to manage these risks by defining preventative measures and ensuring their implementation. The most critical risks are:

- Legislative amendments.
- Changes in alcohol taxation may affect travellers' private imports of alcoholic beverages, thereby impacting Alko's sales trend and profitability.
- The impacts of the coronavirus pandemic on health, the economy and business continuity.

- Operational responsibility: selling alcohol to minors or intoxicated people in violation of the principles of responsible customer service, environmental and social responsibility risks in the alcoholic beverage supply chain.
- The availability of staff.
- Business interruptions caused by disruptions in ICT services and cybercrime.
- Critical information ending up in the wrong hands.

Events after the end of the financial period

In early 2021, an increase in the tax on alcoholic beverages raised prices by an average of about two percent.

Outlook for 2021

According to the forecasts, economic development will remain very moderate in early 2021 as a consequence of the coronavirus pandemic, but growth is expected to resume towards the end of the year. Sales of alcoholic beverages in Finland will be impacted by the increase in alcohol tax, the coronavirus situation, uncertainty in the economy, restrictions on bars, restaurants and travel, and any potential changes in alcohol policy in neighbouring countries.

Alko will continue to develop its responsible and multichannel service in accordance with the updated strategic measures of autumn 2020.

The Board of Directors' proposal for the disposal of profits

The Board proposes that EUR 548,696.48 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 2020 totalled EUR 96,280,858.29 (EUR 74,825,548.71), of which EUR 50,906,613.10 (EUR 31,870,264.61) is profit for the financial year.

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

• distributed as a dividend	EUR 60,000,000.00
• retained under equity	EUR 36,280,858.29
	<hr/> EUR 96,280,858.29 <hr/>

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 2020	1 Jan–31 Dec 2019
NET SALES			1,296.8	1,144.1
Other operating income		2.1	1.3	1.9
Materials and services		2.2	-1,081.5	-956.7
Personnel costs		2.4	-88.8	-85.3
Depreciation and write-downs		2.6	-8.1	-8.4
Other operating expenses		2.8	-54.6	-54.9
OPERATING PROFIT			65.0	40.7
Financial income and expenses		2.9, 2.10	-1.0	-0.0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES			64.0	40.7
Income taxes		2.11	-12.8	-8.0
PROFIT/LOSS FOR FINANCIAL YEAR			51.2	32.7

*Finnish Accounting Standards, FAS

BALANCE SHEET, FAS*	MEUR	Note	31 Dec 2020	31 Dec 2019
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		3.1, 3.4	4.2	3.6
Tangible assets		3.2, 3.5	43.7	45.6
Investments		3.3, 3.6	3.0	3.9
NON-CURRENT ASSETS			51.0	53.1
CURRENT ASSETS				
Inventories		4.3	80.1	77.5
Non-current receivables		4.4	1.7	1.7
Deferred tax assets			1.0	0.9
Current receivables		4.6	12.4	20.0
Cash and cash equivalents		4.1	168.1	112.0
CURRENT ASSETS			263.3	212.2
ASSETS			314.3	265.2
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital			16.8	16.8
Other funds			0.8	1.4
Retained profit			47.0	43.8
Profit/loss for financial year			51.2	32.7
SHAREHOLDERS' EQUITY		5.1	115.9	94.7
OBLIGATORY PROVISIONS		6.1	0.0	0.0
LIABILITIES				
Deferred tax liability			1.4	1.4
Current non-interest-bearing liabilities		7.2	196.9	169.1
LIABILITIES			198.3	170.5
SHAREHOLDERS' EQUITY AND LIABILITIES			314.3	265.2

Cash flow statement

ALKO GROUP

CASH FLOW STATEMENT, FAS	MEUR	2020	2019
CASH FLOW FROM OPERATIONS			
Profit/loss for financial year		51.2	32.5
ADJUSTMENTS			
Depreciation and write-downs		8.8	8.4
Capital gains (-) / capital losses (+) on non-current assets		-0.1	-0.3
Other income and expenses not involving payments		1.0	0.0
Financial income and expenses		0.2	0.0
Income taxes		12.8	8.1
Cash flow before change in working capital		74.1	48.8
CHANGE IN WORKING CAPITAL			
Increase (-) /decrease (+) in inventories		-3.6	-1.1
Increase (-) /decrease (+) in current non-interest-bearing accounts receivable		5.3	-4.1
Increase (+) /decrease (-) in current non-interest-bearing liabilities		26.9	-1.6
Change in provisions		0.0	0.0
Cash flow from operations before financial items and taxes		102.6	42.0
Interest paid on operations		-0.5	-0.0
Dividends received from operations		0.0	0.0
Interest received from operations		0.2	0.5
Other financial items from operations		0.0	0.0
Direct taxes paid		-9.6	-9.3
CASH FLOW FROM OPERATIONS		92.8	33.1

CASH FLOW STATEMENT, FAS	MEUR	2020	2019
CASH FLOW FROM INVESTMENTS			
Investments in tangible and intangible assets		-6.8	-8.4
Income from the surrender of tangible and intangible assets		0.0	0.0
Acquisition of subsidiaries		0.0	0.0
Divested shares in associated companies		0.0	0.0
Other investments		0.0	0.0
Income from the surrender of other investments		0.2	0.4
CASH FLOW FROM INVESTMENTS		-6.7	-8.0
CASH FLOW FROM FINANCIAL OPERATIONS			
Dividends paid		-30.0	-30.0
CASH FLOW FROM FINANCIAL OPERATIONS		-30.0	-30.0
CHANGE IN FINANCIAL POSITION			
Financial resources at the beginning of the year		112.0	116.9
Change in financial position		56.1	-4.9
Financial resources at the end of the year		168.1	112.0

Income statement and balance sheet

ALKO INC.

INCOME STATEMENT, FAS	MEUR	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
NET SALES			1,296.7	1,144.0
Other operating income		2.1	1.3	1.9
Materials and services		2.2	-1,081.5	-956.7
Personnel costs		2.4	-88.8	-85.3
Depreciation and write-downs		2.6	-7.4	-8.4
Other operating expenses		2.8	-55.5	-55.5
OPERATING PROFIT			64.8	40.1
Financial income and expenses		2.9, 2.10	-1.0	-0.0
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES			63.8	40.0
Income taxes		2.11	-12.9	-8.1
PROFIT/LOSS FOR FINANCIAL YEAR			50.9	31.9

BALANCE SHEET, FAS	MEUR	Note	31 Dec 2020	31 Dec 2019
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		3.1, 3.4	4.2	3.6
Tangible assets		3.2, 3.5	14.0	16.0
Investments		3.3, 3.6	30.2	31.1
NON-CURRENT ASSETS			48.4	50.7
CURRENT ASSETS				
Inventories		4.3	80.1	77.5
Non-current receivables		4.4	1.7	1.7
Current receivables		4.6	12.4	20.0
Cash and cash equivalents		4.1	167.4	112.0
CURRENT ASSETS			261.6	211.3
ASSETS			310.0	262.0
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital			16.8	16.8
Other funds			0.8	1.4
Retained profit			45.4	43.0
Profit/loss for financial year			50.9	31.9
SHAREHOLDERS' EQUITY		5.1	113.9	93.0
OBLIGATORY PROVISIONS		6.1	0.0	0.0
LIABILITIES				
Current non-interest-bearing liabilities		7.2	196.1	169.0
LIABILITIES			196.1	169.0
SHAREHOLDERS' EQUITY AND LIABILITIES			310.0	262.0

Cash flow statement

ALKO INC.

CASH FLOW STATEMENT, FAS	MEUR	2020	2019
CASH FLOW FROM OPERATIONS			
Profit/loss for financial year		50.9	31.9
ADJUSTMENTS			
Depreciation and write-downs		8.1	8.4
Capital gains (-) / capital losses (+) on non-current assets		-0.1	-0.3
Other income and expenses not involving payments		1.0	0.0
Financial income and expenses		0.2	0.0
Income taxes		12.9	8.1
Cash flow before change in working capital		73.2	48.1
CHANGE IN WORKING CAPITAL			
Increase (-) /decrease (+) in inventories		-3.6	-1.1
Increase (-) /decrease (+) in current non-interest-bearing accounts receivable		5.3	-4.1
Increase (+) /decrease (-) in current non-interest-bearing liabilities		26.2	-1.7
Change in provisions		0.0	0.0
Cash flow from operations before financial items and taxes		101.1	41.2
Interest paid on operations		-0.5	-0.0
Dividends received from operations		0.0	0.0
Interest received from operations		0.2	0.5
Other financial items from operations		0.0	0.0
Direct taxes paid		-9.6	-9.3
CASH FLOW FROM OPERATIONS		91.2	32.4

CASH FLOW STATEMENT, FAS	MEUR	2020	2019
CASH FLOW FROM INVESTMENTS			
Investments in tangible and intangible assets		-6.1	-7.6
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		0.2	0.4
CASH FLOW FROM INVESTMENTS		-5.9	-7.2
CASH FLOW FROM FINANCIAL OPERATIONS			
Dividends paid		-30.0	-30.0
CASH FLOW FROM FINANCIAL OPERATIONS		-30.0	-30.0
CHANGE IN FINANCIAL POSITION			
Financial resources at the beginning of the year		112.0	116.8
Change in financial position		55.4	-4.8
Financial resources at the end of the year		167.4	112.0

1. Notes to the accounting principles used in the consolidated Financial Statements

Accounting principles and scope of the Consolidated Financial Statements

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 Arkadianatalo (100%)..

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

Internal shareholdings

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

Inter-company transactions and margins

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

Minority interests

There are no minority interests.

Comparability of the Financial Statements

The financial statements are comparable.

Valuation principles

Net sales

Net sales include excise taxes.

Fixed asset valuation

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

Depreciation period	(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.

2. Notes to the income statement, FAS

MEUR	ALKO GROUP		ALKO INC	
	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
2.1 OTHER OPERATING INCOME				
Rental income	1.0	1.1	1.0	1.1
Other operating income	0.3	0.5	0.3	0.5
Profit on the sale of fixed assets	0.1	0.3	0.1	0.3
Total other operating income	1.3	1.9	1.3	1.9
2.2 MATERIALS AND SERVICES				
Purchases during the financial period	-1,078.8	-953.5	-1,078.8	-953.5
Increase/decrease in inventories	2.7	1.2	2.7	1.2
Materials, consumables and supplies	-1,076.1	-952.4	-1,076.1	-952.4
Outsourced services	-5.4	-4.4	-5.4	-4.4
Total materials and services	-1,081.5	-956.7	-1,081.5	-956.7
2.3 AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR				
	2,454	2,466	2,454	2,466
2.4 PERSONNEL COSTS				
Wages, salaries and remuneration	-74.6	-71.8	-74.6	-71.8
Pension expenses	-11.7	-11.7	-11.7	-11.7
Other personnel-related expenses	-2.6	-1.7	-2.6	-1.7
Total personnel costs	-88.8	-85.3	-88.8	-85.3

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

On 31 December 2020, the OP-Life group pension insurance taken out by the parent company had an additional insurance fund of EUR 16.2 (18.1) million. This fund can be used as insurance against supplementary pension index increases and other obligations.

MEUR	ALKO GROUP		ALKO INC	
	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
2.5 SALARIES, REMUNERATION AND BENEFITS PAID TO MANAGEMENT				
President & CEO	0.4	0.5	0.4	0.5
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
Total salaries, remuneration and benefits paid to Management	0.6	0.7	0.6	0.7
Incentive bonuses are included in salaries on an accrual basis.				
2.6 DEPRECIATION AND WRITE-DOWNS				
Depreciation according to plan	-8.1	-8.4	-7.4	-8.4
Depreciation according to plan on non-current assets and goodwill	-8.1	-8.4	-7.4	-8.4
Reversed impairment on non-current asset items	0.0	0.0	0.0	0.0
Total depreciation and write-downs	-8.1	-8.4	-7.4	-8.4
2.7 AUDITOR'S FEES				
KPMG Oy Ab				
Auditing	0.0	0.0	0.0	0.0
Other fees	0.0	0.0	0.0	0.0
Total auditor's fees	0.0	0.1	0.0	0.1

ALKO GROUP

ALKO INC

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
2.8 OTHER OPERATING EXPENSES				
Rents	-20.0	-20.6	-21.5	-21.9
Voluntary personnel-related expenses	-1.5	-1.3	-1.5	-1.3
Capital losses on non-current assets	0.0	0.0	0.0	0.0
Support given	-0.1	-0.0	-0.1	-0.0
Energy	-1.3	-1.3	-1.1	-1.2
Work outfits and equipment	-3.4	-2.1	-3.4	-2.1
Construction and repair services	-0.7	-0.6	-0.5	-0.3
IT services	-11.5	-12.2	-11.5	-12.2
Transport	0.0	0.0	0.0	0.0
Other outsourced services	-5.3	-5.7	-5.3	-5.7
Communications and marketing	-2.9	-3.0	-2.9	-3.0
Telecommunications	-1.1	-1.3	-1.1	-1.3
Credit card commissions and cash handling	-4.9	-4.7	-4.9	-4.7
Other expenses	-2.0	-2.2	-1.6	-1.8
Total other operating expenses	-54.6	-54.9	-55.5	-55.5
FINANCIAL INCOME AND EXPENSES				
2.9 FINANCIAL INCOME AND EXPENSES				
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	0.3	0.5	0.3	0.5
Other financial income	0.3	0.5	0.3	0.5
Total financial income	0.3	0.5	0.3	0.5

ALKO GROUP

ALKO INC

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
2.10 FINANCIAL EXPENSES				
Impairment on investments in non-current assets	-0.7	0.0	-0.7	0.0
Other financial expenses	-0.5	-0.5	-0.5	-0.5
Total other interest and financial expenses	-1.3	-0.5	-1.2	-0.5
Total financial expenses	-1.3	-0.5	-1.2	-0.5
Total financial income and expenses	-1.0	-0.0	-1.0	-0.0
Profit/loss from exchange rates	0.0	0.0	0.0	0.0
Total profit/loss from exchange rates	0.0	0.0	0.0	0.0
2.11 DIRECT TAXES				
Income tax on operations	-12.9	-8.1	-12.9	-8.1
Changes in deferred tax liabilities and assets	0.1	0.1	0.0	0.0
Income tax on operations	-12.8	-8.0	-12.9	-8.1

Notes to the balance sheet

3 NON-CURRENT ASSETS

	ALKO GROUP		ALKO INC.	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
3.1 INTANGIBLE ASSETS				
Other capitalised expenditures	4.0	3.3	4.0	3.3
Advance payments on intangible assets	0.2	0.3	0.2	0.3
Total intangible assets	4.2	3.6	4.2	3.6
3.2 TANGIBLE ASSETS				
Land and water areas	13.9	13.9	0.0	0.0
Buildings and structures	15.8	15.7	0.0	0.0
Machinery and equipment	14.0	16.0	14.0	16.0
Other tangible assets	0.0	0.0	0.0	0.0
Advance payments for ongoing acquisitions	0.0	0.0	0.0	0.0
Total tangible assets	43.7	45.6	14.0	16.0
3.3 INVESTMENTS				
Holdings in Group companies	0.1	0.1	27.2	27.2
Holdings in associated companies	0.6	0.9	0.6	0.9
Other shares and holdings	2.4	2.9	2.4	2.9
Total investments	3.0	3.9	30.2	31.1
Total non-current assets	51.0	53.1	48.4	50.7

3.4 INTANGIBLE ASSETS

ALKO GROUP

INTANGIBLE ASSETS 2019	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January	27.0	0.4	27.4
Increase	0.0	1.1	1.1
Decrease			0.0
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
Acquisition cost, 31 December	3.3	0.3	3.6

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

ALKO INC.

INTANGIBLE ASSETS 2019	Other capitalised expenditures	Advance payments	Total
Acquisition cost, 1 January	27.0	0.4	27.4
Increase	0.0	1.1	1.1
Decrease			0.0
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
Acquisition cost, 31 December	3.3	0.3	3.6

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

3.5 TANGIBLE ASSETS

ALKO GROUP

TANGIBLE ASSETS 2019	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
Book value, 31 December	13.9	15.7	16.0	0.0	45.6

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

* Acquisition cost does not include upward value adjustments

ALKO INC.
TANGIBLE ASSETS 2019

	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
Book value, 31 December	0.0	0.0	16.0	0.0	16.0

TANGIBLE ASSETS 2020

	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 January	0.0	0.1	90.5	0.0	90.6
Increase	0.0	0.0	3.5	0.0	3.5
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	94.0	0.0	94.1
Accumulated depreciation, 1 January	0.0	-0.1	-74.5	0.0	-74.5
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	-5.5	0.0	-5.5
Accumulated depreciation, 31 December	0.0	-0.1	-80.0	0.0	-80.1
Book value, 31 December	0.0	0.0	14.0	0.0	14.0

* Acquisition cost does not include upward value adjustments

3.6 INVESTMENTS

ALKO GROUP

INVESTMENTS 2019	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
Book value, 31 December	0.1	0.9	2.9	3.9

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

* Acquisition cost does not include upward value adjustments

ALKO INC.

	Holdings			
	Holdings in Group companies	in associated companies	Other shares and holdings	Total
INVESTMENTS 2019				
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
Book value, 31 December	27.2	0.9	2.9	31.1

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

* Acquisition cost does not include upward value adjustments

3.7 SHARES

ALKO INC.	Parent company shareholding (%)	Percentage of shareholders' equity (EUR 1,000)	Shareholders' equity (EUR)	Number of shares	Nominal value (EUR/share)	Shares/ holdings nominal value 31 Dec 2020 (total, EUR 1,000)	Book value 31 Dec 2020 (EUR 1,000)	Profit/loss according to the latest financial statements (EUR 1,000)
HOLDINGS IN GROUP COMPANIES								
Kiinteistö Oy Arkadiantalo, Helsinki	100.00		20,833,339.88				27,141	224
Kiinteistö Oy Puolangan Keskus, Puolanka	50.48	188	372,165.22	275	56.00	15	10	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					27,231	
HOLDINGS IN PARTICIPATING INTEREST COMPANIES								
Kiinteistö Oy Enon Kauppakeskus, Eno	37.00	170	460,104.98	259	5.05	1	14	2
Asunto Oy Juvan Myllynkerä, Juva	31.50	126	399,266.87	3,150	0.25	1	35	-70
Kaavin Yrittäjätalo Oy, Kaavi	23.20	76	325,672.51	348	16.82	6	10	-15
Kiinteistö Oy Kaivolankulma, Puumala	36.37	126	347,710.10	2,515	67.28	169	8	0
Kiinteistö Oy Kannuksen Torinkulma, Kannus	46.03	328	713,227.30	2,900	1.68	5	60	-7
Kiinteistö Oy Mantsintie 1-3, Ilomantsi	28.19	106	375,762.28	311	50.46	16	10	-3
Kiinteistö Oy Nilsjänportti, Nilsjä	31.49	446	1,415,817.07	1,606	16.82	27	80	-6
Asunto-osakeyhtiö Pieksälä, Pieksämäki	26.82	193	720,527.53	54,800	1.68	92	15	24
Kiinteistö Oy Saarijärven Paavonaukio, Saarijärvi	29.58	231	781,528.23	392	168.19	66	35	0
Asunto Oy Sandelsinkatu 4, Helsinki	24.85	27	110,533.82	6,835	0.34	2	251	17
Kiinteistö Oy Savitaipaleen Torinkulma, Savitaipale	23.00	185	804,863.74	2,300	0.34	1	20	-22
Kiinteistö Oy Urpala, Rantasalmi	36.88	292	791,488.44	2,950	0.34	1	35	10
Kiinteistö Oy Äänekosken Torikatu 5, Äänekoski	36.29	314	864,267.71	450	16.82	8	15	0
TOTAL HOLDINGS IN PARTICIPATING INTEREST COMPANIES		2,621					588	

ALKO INC.	Parent company shareholding (%)	Percentage of shareholders' equity (EUR 1,000)	Shareholders' equity (EUR)	Number of shares	Nominal value (EUR/share)	Shares/ holdings nominal value 31 Dec 2020 (total, EUR 1,000)	Book value 31 Dec 2020 (EUR 1,000)	Profit/loss according to the latest financial statements (EUR 1,000)
OTHER SHARES AND HOLDINGS								
Asunto Oy Helsinginkatu 15, Helsinki	15.32			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	20	
Kiinteistö Oy Kolarin Ylläs Chalets VII				122			244	
Kontulan Ostoskeskus Oy, Helsinki	9.46			745	68.62	51	300	
Asunto Oy Nilsin Tahkokuuri Chalets B				1,805			178	
Kiinteistö Oulun Kirkkokatu 14, Oulu	1.43			500	16.82	8	17	
Kiinteistö Oy Paltamon Tervahamina, Paltamo	10.00			1,000	1.68	2	15	
Kiinteistö Oy Pyhäsalmen Liiketalo, Pyhäsalmi	16.00			288	1.68	0	50	
Savonlinnan Linja-autoasema Oy, Savonlinna	10.47			1,540	168.19	259	40	
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 Ämmänievari, 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						466	2,358	
Other non-itemised shares and holdings (in telephone companies)							0	
TOTAL OTHER SHARES AND HOLDINGS							2,358	
TOTAL SHARES							30,177	

4 CURRENT ASSETS

	ALKO GROUP		ALKO INC.	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
4.1 CASH AND CASH EQUIVALENTS				
Store cash registers	9.5	10.8	9.5	10.8
Commercial papers	0.0	0.0	0.0	0.0
Bonds	8.6	8.7	8.6	8.7
Funds	134.3	73.3	134.3	73.3
Bank accounts	15.7	19.2	15.0	19.2
Total cash and cash equivalents	168.1	112.0	167.4	112.0
4.2 DIFFERENCE IN THE MARKET AND BOOK VALUES OF BONDS				
Market value of financial securities	8.7	8.9	8.7	8.9
Book value of financial securities	8.6	8.7	8.6	8.7
Difference	0.1	0.2	0.1	0.2
4.3 INVENTORIES				
Finished products and goods	79.5	76.8	79.5	76.8
Advance payments on inventories	0.6	0.7	0.6	0.7
Total inventories	80.1	77.5	80.1	77.5
4.4 OTHER NON-CURRENT RECEIVABLES				
Other	1.7	1.7	1.7	1.7
Total other non-current receivables	1.7	1.7	1.7	1.7

	ALKO GROUP		ALKO INC.	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
4.5 CURRENT RECEIVABLES FROM GROUP COMPANIES				
Current accounts receivable			0.0	0.0
Current prepaid expenses and accrued income			0.0	0.1
Total current receivables from Group companies			0.0	0.1
4.6 CURRENT RECEIVABLES				
Accounts receivable	11.4	16.4	11.4	16.4
Current prepaid expenses and accrued income (from others)	1.0	3.4	1.0	3.4
Other	0.0	0.2	0.0	0.1
Total current receivables	12.4	20.0	12.4	20.0
CURRENT RECEIVABLES	12.4	20.0	12.4	20.0
4.7 MAJOR ITEMS IN PREPAID EXPENSES AND ACCRUED INCOME				
Income tax receivables	0.0	2.4	0.0	2.4
KELA compensation for occupational health care	0.6	0.6	0.6	0.6
Interest receivables	0.1	0.1	0.1	0.1
License and maintenance fees for next year	0.3	0.2	0.3	0.2
Other prepaid expenses and accrued income	0.0	0.2	0.0	0.2
Total	1.0	3.4	1.0	3.4

5 SHAREHOLDERS' EQUITY

5.1 STATEMENT OF CHANGE IN SHAREHOLDERS' EQUITY

ALKO GROUP

CHANGE IN SHAREHOLDERS' EQUITY 2019	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
TOTAL EQUITY, 31 DEC	16.8	1.4	76.5	94.7

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

ALKO INC.

CHANGE IN SHAREHOLDERS' EQUITY 2019	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
TOTAL EQUITY, 31 DEC	16.8	1.4	74.8	93.0

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

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

5.2 DISTRIBUTABLE EARNINGS

	ALKO GROUP		ALKO INC.	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Retained profit			44.8	42.8
Profit/loss for financial year			50.9	31.9
Transfer from other funds			0.5	0.1
Total adjustments			0.5	0.1
Distributable earnings			96.3	74.8

6. OBLIGATORY PROVISIONS

	ALKO GROUP		ALKO INC.	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
6.1 OBLIGATORY PROVISIONS				
Rent liability for vacant premises	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0

7. LIABILITIES

	ALKO GROUP		ALKO INC.	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
7.1 CURRENT LIABILITIES TO GROUP COMPANIES				
Accounts payable to Group companies			0.1	0.0
Accounts payable to Group companies			0.0	0.0
			0.1	0.0
7.2 CURRENT LIABILITIES				
Accounts payable	161.8	139.9	160.9	139.8
Accrued expenses and deferred income	23.7	17.8	23.6	17.8
Other liabilities	11.2	11.4	11.2	11.4
Advances received	0.2	0.0	0.2	0.0
Total	196.9	169.1	196.0	169.0
CURRENT LIABILITIES	196.9	169.1	196.1	169.0
7.3 MAJOR ITEMS IN ACCRUED EXPENSES AND DEFERRED INCOME				
Accrual of salaries, including social insurance costs	19.8	17.5	19.8	17.5
Accrual of employer insurance contributions	0.5	0.0	0.5	0.0
Employees Pensions Act (TyEL) debt	1.3	0.0	1.3	0.0
Accrual of income tax	0.9	0.0	0.9	0.0
Accrual of bank charges and credit card commissions	0.6	0.1	0.6	0.1
Deliveries from abroad	0.5	0.1	0.5	0.1
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	0.1	0.0	0.0
Total	23.7	17.8	23.6	17.8

8 OTHER NOTES

Securities given, contingencies and other liabilities
Other securities given

	ALKO GROUP		ALKO INC.	
MEUR	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
8.1 LEASING LIABILITIES				
Payable the following year	0.6	1.0	0.6	1.0
Payable later	0.6	0.6	0.6	0.6
Total	1.2	1.7	1.2	1.7
8.2 RENT LIABILITIES				
Payable the following year	13.7	13.7	13.7	13.7
Payable later	1.6	2.0	1.6	2.0
Total	15.2	15.7	15.2	15.7

Key figures

	ALKO GROUP					ALKO INC.				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
Net sales (EUR million)	1,296.8	1,144.1	1,153.7	1,174.8	1,162.8	1,296.7	1,144.0	1,153.6	1,174.8	1,162.7
Operating profit (EUR million)	65.0	40.7	46.0	53.0	47.3	64.8	40.1	46.0	52.6	46.6
Percentage of net sales (%)	5.0	3.6	4.0	4.5	4.1	5.0	3.5	4.0	4.5	4.0
Profit before appropriations and taxes (EUR million)	64.0	40.7	46.4	51.6	48.6	63.8	40.0	46.4	51.2	47.8
Percentage of net sales (%)	4.9	3.6	4.0	4.4	4.2	4.9	3.5	4.0	4.4	4.1
Return on equity (%)	48.6	35.0	41.4	50.4	51.0	49.2	34.6	41.8	50.4	49.6
Return on investment (%)	61.2	43.5	51.1	64.2	63.5	62.1	44.0	52.3	65.4	62.1
Equity ratio (%)	36.9	35.7	34.9	31.8	29.4	36.8	35.5	34.8	31.9	29.6
Current ratio	1.3	1.2	1.2	1.2	1.1	1.3	1.2	1.2	1.2	1.1
Gross investments in fixed assets (EUR million)	6.8	8.4	10.5	8.1	8.5	6.1	7.6	10.1	7.9	7.4
Percentage of net sales (%)	0.5	0.7	0.9	0.7	0.7	0.5	0.7	0.9	0.7	0.6
Average number of personnel during the financial year	2,454	2,466	2,452	2,401	2,385	2,454	2,466	2,452	2,401	2,385

FORMULAS FOR THE KEY FIGURES

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

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

The Board of Directors' proposal on the distribution of profit

The Board proposes that EUR 548,696.48 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 2020 totalled EUR 96,280,858.29 (EUR 74,825,548.71), of which EUR 50,906,613.10 (EUR 31,870,264.61) is profit for the financial year. The Board proposes that the company's distributable funds be used as follows:

– distributed as a dividend	EUR 60,000,000.00
– to be retained under equity	EUR 36,280,858.29
	<u>EUR 96,280,858.29</u>

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, 23 March 2021
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, 23 March 2021

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 2020 and proposes to the 2021 Annual General Meeting that the company's income statement and balance sheet for the 2020 financial year be approved. The Supervisory Board agrees with the Board of Directors' proposal for disposal of the profits.

Helsinki, 25 March 2021

Arja Juvonen

Ari Koponen

Hannakaisa Heikkinen

Mats Löfström

Outi Alanko-Kahiluoto

Jari Mytlykoski

Kim Berg

Tom Packalén

Petri Honkonen

Sari Sarkomaa

Pauli Kiuru

Tuula Väättäinen



CONTACT INFORMATION

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