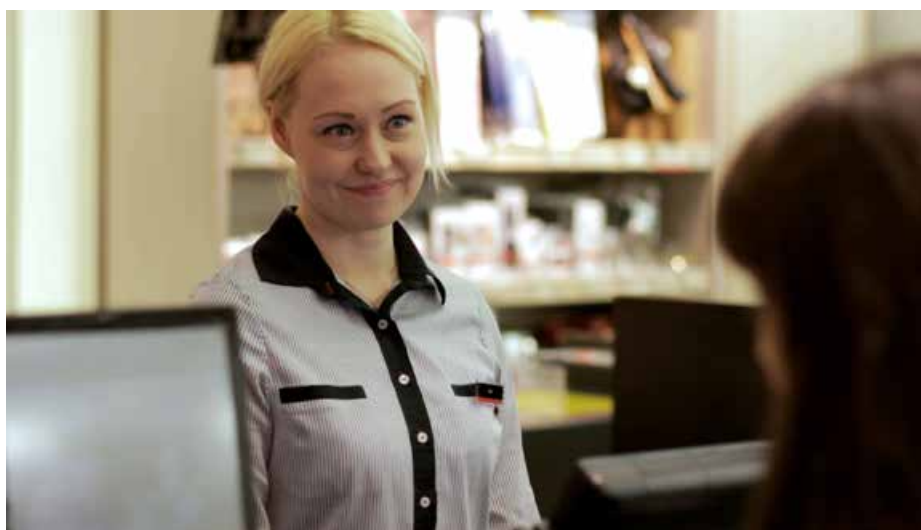


ANNUAL REPORT AND
CORPORATE SOCIAL RESPONSIBILITY
REPORT **2014**





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About Alko



About Alko

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Welcome to Alko's online Annual Report and Corporate Social Responsibility Report 2014



In this Annual Report and Corporate Social Responsibility Report we will provide a review of the year 2014 and our responsible operations. The report is only published in an online version.

The Alko as a Company section provides information on Alko's strategy, the highlights of 2014, and other such matters. The Alko's Mission section describes our special mission from the perspective of preventing the harmful effects of alcohol as well as our financial responsibility. The Customers and Products section provides information on product sales and consumption, and how we are developing our services. The Personnel section sheds light on themes concerning our personnel wellbeing and training. In the Responsible Supply Chain section, we will tell you about responsibility perspectives in the product supply chain.

The Alko Materials Bank toolbar is available at the top of every page. With the toolbar you can:

- Download the 2014 Annual Report and Corporate Social Responsibility Report as a single file.
- Save individual pages using the Add page to your report function.
- Compile your own report from the Materials Bank content. Your page selections will be stored in the bank. From the Materials menu, you can choose to add individual pages or complete sections to meet your needs.
- You can print or save customised reports as a PDF document.

The site also features a search function and GRI Index. At the bottom of the site, you will find social media buttons that allow you to share the articles in our report on the web.



Report description

This is Alko's 11th combined Annual Report and Corporate Social Responsibility Report.

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

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

The information presented in the report is based on statements made in support of the company's operational activities and the figures from the audited accounts and financial statements. The report covers all of Alko's operations. The information on economic responsibility is based on Alko's financial reports, audited accounts and adopted financial statements. The indicators for social responsibility are drawn from the personnel data system, payroll systems, service providers and accounts. The figures regarding environmental responsibility are largely drawn from our own systems and from service providers.

The staff figures are calculated according to the Accountancy Board's general guidelines for the preparation of annual reports. The applicable parts of the Finnish Corporate Governance Code were followed for the Corporate Governance section. The financial statements were prepared in compliance with the Finnish Accounting Standards (FAS).

Material aspects of corporate social responsibility

Aspect boundary

The included entities are Alko Oy and, with respect to certain indicators, also parties outside Alko.

Definition of report content

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

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

GRI Aspect G4-19	Aspect Boundary G4 20-21
Economic	
Economic performance	Alko Oy
Indirect economic impacts	Alko Oy, society
Procurement practices	Alko Oy, goods suppliers
Keeping alcohol trade in Finland (Alko's own aspect)	Alko Oy, society
Environmental	
Materials	Alko Oy, Palpa Oy
Energy	Alko Oy
Effluents and waste	Alko Oy
Products	Goods suppliers



Transport	Transport companies
Supplier environmental assessment	Goods suppliers
Environmental grievance mechanisms	Customers and personnel
Social	
Employment	Alko Oy
Labour/management relations	Alko Oy
Occupational health and safety	Alko Oy
Training and education	Alko Oy
Diversity and equal opportunity	Alko Oy
Equal remuneration for men and women	Alko Oy
Supplier human rights assessment	BSCI high-risk country suppliers
Labour practices grievance mechanisms	Personnel
Supplier human rights assessment	BSCI high-risk country suppliers
Human rights grievance mechanisms	Personnel
Preventing the harmful effects of alcohol consumption in society (Alko's own aspect)	Customers and society
Customer health and safety	Suppliers, customers
Product and service labelling	Alko Oy, goods suppliers
Marketing communications	Alko Oy
Customer privacy	Alko Oy
Compliance	Alko Oy

Report stakeholders

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

Reporting period and contact information

This report tells about the results of our corporate responsibility efforts in 2014. The report for 2013 was published in March 2014.

Additional information

Alko's Communications and Sustainability department

Virpi Valtonen, CSR Expert, virpi.valtonen@alko.fi

Leena Sokolowski, CSR Expert, leena.sokolowski@alko.fi

Maritta Iso-Aho, Executive Vice President, Communications and Sustainability, maritta.iso-aho@alko.fi





Alko in 2014

Alko is a responsible and service-minded specialist in alcoholic beverages. Our extensive retail network is rounded out by order points. We provide a wide range of high-quality products.



The Esplanadi street-level store, which features new digital customer service solutions and was opened in June 2014, is an example of Alko's diverse store network.

Alko is a responsible and service-minded specialist in alcoholic beverages. Our extensive retail network is rounded out by order points. We provide a wide range of high-quality products.

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

In our stores, you are served by 2,500 knowledgeable Alko employees. Our product portfolio includes beverages from about 60 countries. At the end of 2014, Alko had 353 stores around Finland.

During the report year, six new stores were opened, and two were closed. New stores: Kuopio Matkus, Helsinki Etelä-Esplanadi, Helsinki Old Market Hall (opened after a hiatus), Karigasniemi, Helsinki Mellunmäki and Espoo Kauklahti and closed stores: Oulu Oulunsalo and Helsinki Meilahti.



Key figures 2014



PERSONNEL

2530 (2610)



CUSTOMERS

58,8 MILL. (60,1)

NET SALES

96,7 (99,2)
MILLION LITRES

NET SALES

16,3 (16,8)
MILL. LITRES IN 100% ALCOHOL

NET SALES

1 179,8 (1175,0)
MILL. €

NET SALES WITHOUT ALCOHOL TAX

575,7 (583,8)
MILL. €

PROFIT FOR FINANCIAL YEAR

40,8 (38,2) MILLION €



President and CEO's review

2014 was a year of intense operational development. The absolute highlight of the year was being number one in the large companies' category of the Great Place to Work contest.



How would you describe the year 2014 at Alko?

2014 was a year of intense operational development. In line with the strategic roadmap, projects to enhance customer service, the employee experience and efficiency were implemented according to plan. We began diversifying our chain by piloting new concepts (such as the Espa store in Helsinki) and building new types of stores with a range of partners, including Lidl, Suomen Lähikauppa and Minimani.

External factors affected sales development, as the number of customers in shops fell nationwide due to low consumer confidence, the tax increase on alcoholic beverages that entered into force on 1 January 2014, and continuing high rates of alcohol imports by tourists.

How about the financial results at the end of the year?

Net sales came to 1179.8 million euros. Correspondingly, operating income totalled 40.8 million euros. In terms of finances, the year went according to plan. This was due to our skilful allocation of human resources within shops in relation to the number of customers.

What are the starting points for operational development moving forward?

Our strategy is based on four main objectives:

1. To be the best service company in Finland
2. To be the best workplace in Finland
3. To be the most responsible service company
4. To be an efficient chain of specialty stores

All of our projects support the implementation of these objectives and our development will be based on the inclusion of customers and staff. In spring 2014, we arranged several workshops for consumers aimed at defining themes related to electronic services. In the Exit survey examining the customer experience, we interview a total of 20,000 customers per year to gain immediate feedback on their



experiences in Alko shops. At one-day events for supervisors, we worked on issues such as Alko's leadership principles. Shop employees are involved at the planning and implementation stage in a number of projects. These joint efforts are enabling us to commit the entire organisation to pursuing common goals.

You mentioned the various projects implemented during the year. Could you be more specific about these?

In 2014 we engaged in several major projects. Of these, the most visible for staff and customers was our investment in modern POS equipment in order to improve customer service, and in our common tools. We renewed our retail outlet tools in all shops during the autumn. These will enable efficient internal communication and interaction, in a number of ways, between all 350 Alko shops and offices. We can now gather ideas or solve problems, arrange video conferences and develop our 'joint-action' culture in a range of ways. We are determined to take the related operational changes further.

What were the major achievements in 2014?

The absolute highlight of the year was being number one in the large companies' category of the Great Place to Work contest.

This came as a surprise, because we were participating for the first time, but it is good to see that our long-term efforts to improve employee satisfaction at Alko have paid off. Our managerial development is bearing fruit, as is the active approach taken by Alko employees to the adoption of work community skills. Further strengths in the evaluation included staff inclusion and motivation at Alko. We place a high value on good team spirit and joint efforts, because they facilitate excellent customer service in all Alko shops. The employee experience goes hand in hand with customer experience. Customer service indicators clearly show this. In the 2014 Finland Today national customer service feedback survey, customers still ranked Alko first in the retail trade and third among service companies, after POP Bank and libraries.

The results for other strategic indicators show that we are moving in the right direction. Alko was successful in the annual reputation and responsibility survey, being ranked third in terms of its reputation amongst all companies, after the winner, Rovio, and the runners-up Fazer and Paulig. With regard to responsibility, Alko was the most responsible company in the retail sector, and 5th among service companies.

What role does responsibility play in everyday life at Alko?

Responsibility is an integral part of our everyday life, inherent in all our operations. In sales, responsibility means refusing to sell to minors or clearly intoxicated customers, or to anyone who might be suspected of handing over alcoholic beverages to others. In 2014, we asked customers for proof of identity over 3.6 million times, or every 3rd of a second during shop opening hours.

As a responsible operator, we are engaged in alcohol policy activities with a number of partners. A key project was the continuing "In the Company of Children" programme, in which the films 'Monsters' and 'Orphanage' have featured most prominently. In the summer of 2014, Monsters was awarded the Golden Lion in the Health and Wellness series at the Cannes Lions' Lions Health contest. Cannes Lions is the most important annual event for advertisers, with awards granted to the world's best communications campaigns.

We cooperate with other Nordic alcohol monopolies in supplier chain responsibility work. Alko is a member of the Business Social Compliance Initiative (BSCI), which organises audits to supervise the implementation of its ethical operating principles. Last year, audits were conducted in South Africa, South America and Europe.

Alko pursues ambitious goals. How does Alko intend to achieve its objectives in the future?

We are continuously developing our operations in all strategic sectors. The needs and wishes of our customers will remain the basis for the development of our operations in the days to come. We will be even more active in collecting spontaneous feedback from customers and develop our skills and competencies, product range and service accordingly. We are already renewing our shop concepts and giving



our shops a facelift. In the future, Alko's shop network will be more diverse.

We are also keeping a close eye on changes in the operating environment. In retail, the most far reaching of these is the increase in web sales. We intend to keep up with this trend by introducing an Alko web shop and developing our electronic services. Intense growth in sales of non-alcoholic products in the other Nordic countries is a very interesting trend. We will respond by increasing the range of non-alcoholic beverages in Alko shops.

And what about the outlook for 2015?

The operating environment remains challenging, particularly regarding consumer spending power. We are preparing ourselves for a further decline in sales in 2015. To achieve our goals, we will focus on developing our operations in terms of the customer experience, staff experience, responsibility and efficiency.

I would like to extend my warmest thanks to Alko's highly professional, motivated employees. I have visited dozens of Alko shops and it has been a privilege to observe the professional, skilful customer service that our employees provide, and to witness their team spirit. It has also been delightful to see how much feedback and ideas we have received from our shops. Let's keep up the good work!

Hille Korhonen, President and CEO



Alko's strategy for 2014 – 2016 is based on four objectives

Our aim is to provide the best customer service in Finland, both in terms of responsibility and customer experience, to be the best workplace in Finland, and to be an efficient chain of specialty stores. These are the strategic objectives that steer all of us at Alko. The aim of the strategic objectives and their attainment is to retain Alko's monopoly.



In 2014, we achieved one of our four aims: that of being the best workplace in Finland. We were number one in the large companies' category of the Great Place to Work competition in Finland. As proven by surveys, we are also on the right track with regard to our other objectives.

The objectives are linked from company level through to personal level

To ensure that our strategy forms the basis of the everyday work of all Alko employees, we have integrated our corporate level objectives into the key objectives at all levels of the organisation. These are being further defined into objectives for each team and shop. The personal objectives of all Alko employees are discussed with supervisors in target and performance reviews. Our incentive system makes the links between the strategy and rewards visible.

Strategy communicated to staff in various ways

The strategy was presented for the first time at the shop manager event in autumn 2014, which was attended by all 250 Alko shop managers. Key results of the workshops included discussions on what the renewed strategy would involve for everyday work in shops. The discussion on the strategy's practical implementation in shops continued in workshops in January 2015.

After the events, shop managers introduced the strategy to their shop teams and it was also presented to the staff of the head office and discussed by units and teams. Moreover, the strategy was communicated through Alko's internal channels. All employees were able to continue discussing the themes through various communication and feedback channels.

Renewal of operating methods

We have renewed our operating methods to ensure that resources are targeted in line with the strategy. Our aim is to make better use of employee skills and competencies, to enhance our joint efforts and to clarify the decision-making process throughout the organisation. For this purpose, we have established four strategic steering groups – one for each strategic objective, or theme.

Accomplishments in 2014

Strategic objective	Accomplishments in 2014
THE BEST CUSTOMER EXPERIENCE IN	
.....	
This PDF may not be as comprehensive as the full Alko Annual and Corporate Social Responsibility report	



FINLAND

- Goal accomplished (3rd place in the service companies' category) in the Finland Today national customer service feedback survey
- Goal accomplished in the Customer experience index (4.0) in the Exit survey
- New customer-oriented assortment management model completed for deployment in 2015
- Digital services strategy, first trials completed

THE MOST RESPONSIBLE SERVICE
COMPANY IN FINLAND

- The most responsible retailer in Finland, 5th best service company
- Sales supervision enhanced with new equipment
- The film 'Orphanage' in the 'In the Company of Children' programme was viewed over 720,000 times on You Tube
- The responsible value and supply chain description complete

THE BEST WORKPLACE IN FINLAND

- The 1st place in the Great Place to Work competition in Finland in the large companies' category
- New tools and communal working methods introduced throughout the organisation
- Leadership at Alko strengthened further

EFFICIENT CHAIN OF SPECIALTY STORES

- New state-of-the-art cash register systems in all shops
 - Sound cost management
 - Customer numbers steer the allocation of human resources
-



Customer service is the key focus in our store location decisions

We renovated Helsinki Old Market Hall store in 2014.



We seek to locate Alko stores and order points in the best business locations, close to other services, so that customers can enjoy easy and convenient shopping. The factors we consider when selecting business premises include customer needs, location, effective logistics, the safety of customers and staff, and the impact of the store location on competition in the daily consumer goods trade. The premises must also fulfil the requirements set for alcohol sales outlets in the Alcohol Act.

We develop our store network on the basis of Alko's business location strategy. Planning starts out by examining perspectives on customer service, the coverage of the store network, the local population base, financial profitability and responsibility. We prudently set up new stores in locations where the population is growing. Our focus is on regional growth centres and the Greater Helsinki Area, without forgetting about small localities. In sparsely populated areas, our store network is rounded out by order points. We work impartially with all other retail and daily consumer goods actors.



Contact information

ALKO INC.

Street address: Salmisaarenaukio 1, Helsinki
Postal address: PO Box 33, 00181 HELSINKI
Tel. +358 20 711 11 (Mon-Fri 8 am.– 4 p.m.)
www.alko.fi
virpi.valtonen(at)alko.fi

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Production

Project management, visual design and production

Zeeland
Ruoholahdenkatu 23
FI-00180 Helsinki
tel. +358 10 231 9000

www.zeeland.fi

Technical execution

Solita Oy
Tulli Business Park
Åkerlundinkatu 11, 6. krs,
33100 Tampere
tel. +358 3 389 1380
www.solita.fi

Photographs

Antero Aaltonen
Matti Matikainen
Olli Mikkonen
Sami Repo
Rami Salle
Jose M. Sánchez
Antti Viitala
Alko image bank



Video production

Zeeland

SEK and Grey

In collaboration

Semantix



Alko's assignment



Alko's assignment

Responsibility management

Stakeholders

Alcohol policy in a nutshell

Financial responsibility

Legislation



Responsibility management instrumental to company strategy

At Alko, responsibility management is an integral part of the corporate strategy, which is prepared by company executives and approved by the Board of Directors.



The leader of each business unit and support function bears responsibility for operative management. Maritta Iso-Aho, Executive Vice President, Communications and Sustainability, submits summary reports to the Management Team and Board of Directors on the measures performed and goals achieved.

Issues presented to the Board of Directors are prepared by the [Alcohol Policy Committee](#). Due to the special role played by Alko in society, the company's alcohol policy programme is approved by the Alko Supervisory Board on an annual basis.

The responsibility strategy emphasises the key role of responsibility in the everyday work of all Alko employees. Action taken to promote responsibility in Alko's everyday work influences the customer experience via its effect on stakeholders. This makes Alko's responsible approach one of its strengths.

We improve corporate responsibility on the basis of feedback

Alko has an extensive network of stakeholders. Alko aims to be an appreciated partner and to continuously develop its operations on the basis of feedback from stakeholders.

In 2014, we commissioned a stakeholder survey based on a virtual brainstorming session. On the basis of the results, we defined the key areas in which we need to develop our corporate responsibility.

Top 5 themes:

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

Alko invited key stakeholders to participate in the survey; these included customers, authorities, organisations active in the sector, NGOs, politicians, media representatives, suppliers and staff. A total of 1,230 replies were received. The results influenced the strategic responsibility objectives selected for 2014.



Strategic responsibility objectives and results

In the corporate strategy, the responsibility objective for the entire company involved succeeding in TNS Gallup's survey on corporate reputation and responsibility.

Alko did very well in the survey, ranking third among all companies for reputation. In a comparison between the retail, finance and service company category, we came one place higher at number 5. Our responsibility index was 36. Year-on-year, the overall number of points awarded fell by one. Mounting expectations among stakeholders weakened the result for many participants.

According to the surveys, Alko's key strengths were as follows

- Highly professional staff
- Security of supply and services
- A customer-oriented approach
- Stability
- High quality products and services
- The leading company in its sector

Alko's role in society was discussed in the stakeholder survey

For this reason, the implementation of the company's [alcohol policy programme](#) was set as the second strategic objective. The programme was to involve extensive cooperation with stakeholders and the initiation of projects to reduce the harmful effects of alcohol in society. The programme was implemented as planned.

In the future, Alko will seek to use a survey-based indicator to verify the social effectiveness of its measures. The first effectiveness survey is due for completion in spring 2015.

The success of age limit supervision in Alko shops was assessed in a Mystery Shopping survey. The result for 2014, 89%, fell slightly below the target set of 90%. In addition, the supervision of age limits, suspected intoxication and handovers is [measured](#) by registering cases in the POS system.

The third objective consisted of maintaining and developing a sustainable operating model for procurement. The number of [audits](#) performed was monitored in relation to the number of audits planned. All 18 audits planned for 2014 were initiated during the year, but the implementation of three was postponed until spring 2015. A further development measure consisted of a project involving the [description of a responsible value and supply chain](#). The perspectives selected for this description were those of social responsibility, environmental responsibility, financial responsibility, alcohol policy responsibility and added value. In addition, a description was drawn up of the most typical logistic supply chain in the wine product group. This description is enabling us to enhance awareness of the direct and indirect risks involved in the responsible management of the supply chain. It is also helping us to find new perspectives on the development of our responsible operating methods.

Code of Conduct

Business practices

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

BSCI's Code of Conduct

All Alko suppliers are required to endorse the [BSCI Code Of Conduct](#) for the supply chain, by signing a commitment of compliance. Based on international agreements and covenants, the Code of Conduct covers the following: the right to freedom of association and collective bargaining, fair remuneration, occupational health and safety, special protection for young workers, banning of bonded labour, ethical business behaviour, banning of discrimination, decent working hours, banning of child labour, promotion of steady employment, and environmental protection.



Rules for cooperation with suppliers

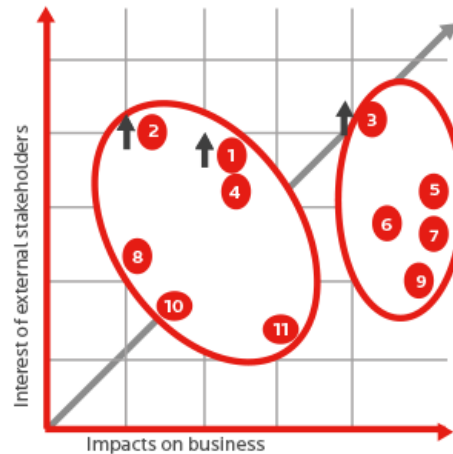
Rules governing interaction between Alko purchasing staff and suppliers, and Alko shops and suppliers, have been prepared in order to secure fair cooperation with suppliers.

Stakeholders provide future directions for developing responsibility

Relevance matrix 2014

Stakeholders and business impact

1. Alcohol trade remaining in Finland
2. Localised product range in shops
3. Responsible supply chain
4. Responsible alcohol consumption
5. Openness and transparency of operations
6. Employee well-being
7. Competent customer service
8. Certified products
9. Ensuring sales supervision
10. Intervening in cases of heavy consumption
11. Ecological principles and choices



Unlike previous surveys, economic issues and product quality and safety were not highlighted in the stakeholder survey.

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

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

There are many means and channels for interacting with stakeholders. Stakeholder events, meetings and personal discussions enable Alko employees and different stakeholders to exchange views. Electronic channels, such as social media, have provided new opportunities for highlighting themes that speak to stakeholders.

In addition to active interaction, we also wanted to conduct a stakeholder survey as a virtual brainstorming session in spring 2014. The idea was to give the respondents the opportunity to freely share their views on Alko's responsibility development focuses, without guiding the discussion with preset questions. A total of 1230 respondents representing different stakeholder groups participated in the survey. They suggested 1058 individual ideas for developing operations.

The Top 5 themes were:

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

The respondent groups ranked the themes somewhat differently. However, the themes themselves were almost identical across all respondent groups. The results of the virtual brainstorming session were thus unambiguous. The participants were generally of the opinion that Alko is already a responsible actor. That said, some respondents were also in favour of revoking Alko's special status. A new theme that emerged in the responses was keeping alcohol trade in Finland. There was also a clearer focus on openness and transparency.

Alko's materiality assessment was drafted on the basis of the results of the virtual brainstorming session. The materiality assessment serves as background material in the company's strategic planning, for instance, and thus the opinions of our stakeholders play a



significant role in the entire company's future planning.

The numerous studies that we commission each year also shed light on stakeholder expectations. One of the major sources of feedback on responsibility perspectives is [TNS Gallup's survey on corporate reputation and responsibility](#).



Alcohol policy in a nutshell

Alcohol policy is aimed at preventing the harmful effects of alcohol consumption and reducing the consumption of alcohol.

Responsible alcohol policy - the foundation of our business

DETERMINED, CONTINUOUS COMMUNICATION OF OUR RESPONSIBLE ALCOHOL POLICY

SOCIETY

Alcohol and lifecycle:

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

Other cooperation over alcohol policy:

- Cooperation with organisations, grants
- Participation in local, alcohol-related projects
- Attention to the harmful effects of alcohol in teaching on the medical aspects of addiction
- Research cooperation

CONSUMER

- Responsible customer service: supervision of sales, purchase ban agreement, product display
- Communication on alcohol and health
- Availability on equal terms (location, number and opening hours of shops)
- Non-alcoholic and low alcohol products, small package sizes
- No sales promotion activities
- Promotion of cuisine and drinking culture

The Ministry of Social Affairs and Health is responsible for the steering and development of alcohol policy. Alcohol policy refers to measures undertaken by the public authorities to prevent the harmful impacts of alcohol in terms of the social aspects, health and society in general, based on the Government resolution of 2003 and the Alcohol Programme (the National Institute of Health and Welfare). The Government Programme includes alcohol policy guidelines.

Valvira, the National Supervisory Authority for Welfare and Health, supervises compliance with the Alcohol Act and coordinates the steering of supervision. Valvira supervises the production, wholesale and nationwide advertising of alcohol, while the Regional State Administrative Agencies supervise local retail and the serving of alcoholic beverages. The National Institute for Health and Welfare produces information on the harmful effects of alcohol and coordinates practical measures related to the Alcohol Programme aimed at preventing the harmful effects of alcohol in municipalities in particular. The Finnish Institute of Occupational Health steers and develops measures to prevent the detrimental impacts of alcohol in working life.

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

- increasing the alcohol tax, restricting alcohol advertising and hours of selling, retaining an alcohol retail monopoly, enhancing efforts to prevent drink driving, and applying the operating methods of the social welfare and health care services.



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





Opinions on the prevailing alcohol policy

Spirits, wine and strong beer at Alko. The general public has no wish to change the current sales channels.



Research data collected towards the end of 2014 indicates that 58 per cent of Finns view the alcohol retail monopoly as a good way of restricting the harmful effects of alcohol consumption.

An even higher percentage of the general public, 92 per cent, was of the opinion that strong alcoholic beverages should be available at Alko only. The majority (59%) want to retain wine and 65 per cent strong beer at Alko, while approving of the current system for selling medium-strength beer.

The age limit for purchasing wine and beer is 18 and for strong alcoholic beverages it is 20 years of age. The majority, 84 per cent, find the current age limits appropriate or too low.

Source: Suomen Gallup 1/2015. A survey examining the opinions of the Finnish general public on alcohol policy has been held annually since 1984.



'In the Company of Children' programme

Alko's programme 'In the Company of Children' has been underway since 2009, making 2014 the 5th year of such activities.



The programme aims to alert adults and families to the need to think about how they consume alcohol in the presence of children. In addition to the adult perspective, the programme emphasises the fact that alcohol consumption by minors is always negative and no alcoholic beverages may be sold or handed over to under 18s.

Alko's partners in the responsibility programme include the National Institute for Health and Welfare (THL), the A-Clinic Foundation, the Mannerheim League for Child Welfare and the Finnish Parents' League. These organisations provide information and expertise in support of the programme theme: they communicate and produce content, comment on such content and provide expert assistance.

We supported early education in 2014

'In the Company of Children' raised interest at the Early Education Fair

Alko participated in the Early Education Fair on 10 October 2014.

The aim of this was to address concerns raised by early education professionals about parents' alcohol consumption. This was done on the basis of a working method and way of thinking which helps early education professionals to raise such issues with parents and guardians.

Five videos were posted on the In the Company of Children website to assist early education professionals in preparing to address such issues. Furthermore, the programme hosted a seminar at the fair on recognising alcohol problems, addressing the issue and providing assistance when needed.

The programme's lastenseurassa.fi website and Facebook pages are available as information sources to anyone interested in preventing the adverse effects of alcohol.

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

- The A-Clinic Foundation: [The 'Orphanage' video](#) of the Fragile Childhood project. This video, produced to inspire discussion on the kind of childhood we should seek to secure for the children growing up around us, raised a great deal of interest at home and



abroad.

- Mannerheim League for Child Welfare: Parents' evenings on alcohol consumption among parents, and the related communications
- Finnish Parents' League: Parents' evenings and the related communications
- The National Institute for Health and Welfare: Expert assistance

"Sata lasissa" – Growing up in the Finnish alcohol culture

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



Preventing the harmful effects of alcohol

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



Partners and measures

Youth Academy

The Youth Academy engages in the promotion of well-being for young people. It aims to offer young people opportunities for taking action, learning and succeeding both in hobbies and at school. The underlying purpose of such measures is to prevent the consumption of alcohol by young people.

Alko began participating in Youth Academy activities in 2000 and has provided the organisation with financial support, mainly in relation to the Mahis-project which offers sensible leisure activities for youngsters.

Finnish Sports Confederation Valo

Valo and Alko collaborate in fostering an intoxicant-free lifestyle for young people who are active in sports and postponing the onset of intoxicant use.

As part of such cooperation, Alko awarded a 3,500 euro grant to the [floorball section of the Tapanilan Erä sports club](#) in acknowledgement of the exemplary efforts made by the club to prevent intoxicant use.

In addition, Alko and Valo cooperated in 2014 on a project to promote an intoxicant-free lifestyle in adult sports. Alko awarded a 10,000 euro grant to the Joutsenon Kullervo sports club at the Finnish Sports Gala on 13 January 2015.

Ehyt ry

Collaboration between Alko and EHYT in 2014 focused on road safety education. Courses for 8th graders on how to ride mopeds safely raised the issue of the dangers posed on the road by the use of intoxicants. In addition, Alko supported the renewal of the Ottomitta system for managing alcohol consumption.

Policeman of the Year

Policeman of the Year is an award granted annually, since 1975, by the Junior Chamber International Helsinki, the Finnish Police Federation and the Police Department of the Ministry of the Interior. Alko is one of the project's longest-standing partners. Superintendent Kauko Hakala was appointed Policeman of the Year on 17 October 2014. He has contributed to the development of the field management of supervision and alert measures.



Annual report and corporate social responsibility report 2014

Alko's assignment > Alcohol policy in a nutshell > Preventing the harmful effects of alcohol

Alko also supports research and education. In 2014, we signed a cooperation contract with the University of Helsinki in support of education on intoxicants. The results will be made available in 2015, with video material on the adverse effects of intoxicants being produced for use by medical schools.

Alko participates in the Alcohol Programme as an expert in the field, or contributes in other ways to national, regional or local cooperation projects supporting the achievement of the Alcohol Programme objectives and creating new operating models.

Alko employees nationwide are participating in supply workgroups on the local alcohol policy project known as Pakka. The key themes of the workgroups include the supervision of age limits, suspected intoxication and handovers in shops and restaurants. Alko has performed extremely well in shopping tests conducted mainly in its shops and aimed at examining age limit supervision.

Abstinence or binge drinking– norms and attitudes worldwide

The norms governing global alcohol consumption are contradictory: in some cultures, people drink until they become intoxicated, in others, they do not drink at all.



When examining alcohol consumption in different countries around the world, estimated consumption levels are based not only on statistical data, but also on information on undocumented consumption of alcoholic beverages.

Nowadays, alcohol consumption figures reported by the WHO include estimated levels of undocumented alcohol consumption. However, studies of alcohol consumption trends focus only on statistically recorded, i.e. documented consumption. Based on such data, recorded alcohol consumption can be viewed as remaining almost unchanged in the last few decades, at approximately 4.5 litres of pure alcohol consumed per adult. This trend has been prevalent in all parts of the world. Naturally, the situation has changed in individual countries as consumption has increased and decreased.

In all European countries, documented consumption of alcoholic beverages covers the majority of alcohol consumed by the population, whereas in many developing countries, the share of undocumented consumption of alcoholic beverages is clearly more significant than in Europe, even to the extent that, in some countries, most alcohol consumption goes undocumented, or is 'unofficial'. On a global scale, the WHO estimates that undocumented consumption of alcoholic beverages accounts for around 25 per cent of total consumption.

Abstinence in fact a global standard

Almost fifty per cent of the world's population, more than one third of all men and more than fifty per cent of all women, have never consumed alcohol. In 2014, almost every second male and more than two in three women, i.e. 62 per cent of the entire adult population, abstained totally.

In alcohol consumption statistics, consumption is given in proportion to the number of persons aged 15 years or older rather than the entire population. This choice is often justified with the fact that the number of people aged 15 years or older is closer to the number of people who consume alcohol than to the entire population. This is particularly true in many European countries where people are introduced to alcohol at a relatively young age and where almost the entire adult population consumes alcohol. However, this proportional approach is not so self-evident on a global scale because, unlike in Europe, alcohol consumption is not the norm in all parts of the world.

Due to the high variation in the number of people who abstain from alcohol, when comparing the figures for different countries alcohol consumption has been given in proportion to the number of people who use alcohol. This reveals that consumption figures calculated per alcohol consumer differ much less than figures given in proportion to the adult population. In such comparisons, the highest



consumption figures are no longer found in Europe. In fact, the number of people who do not drink at all explains most of the differences between continents in terms of alcohol consumption figures calculated per capita or per the adult population.

Binge drinking even glamorised in Northern Europe

In Northern European countries (Finland, Sweden, Norway, Iceland and Denmark), there is a long tradition of drinking clear spirits. Decades ago, these countries' drinking habits could be characterised as binge drinking. Drinking was most common during leisure hours, on weekends and holidays. Moreover, drinking was primarily a male entertainment, in which drunkenness won approval or even admiration.

As in Northern Europe, people in most other parts of Europe drink alcohol to become intoxicated. On a European and global scale, drinking habits in the Northern countries are not that different after all, but they do differ from those of Southern European countries, where wine is the prevailing form of alcohol. On a global scale, Southern Europeans' drinking habits stand out more than those of Scandinavians.



In these countries, binge drinking still forms an integral part of drinking habits, even though beer and wine have replaced strong alcoholic beverages to a certain degree.

Differences in alcohol consumption by country in Europe

When examining alcohol consumption in Europe, it becomes evident that there are significant differences between countries and regions in terms of drinking habits and the amount of alcohol consumed.

In terms of alcohol consumption, the EU countries are divided into four regions: Southern Europe, Central and Western Europe, Eastern Europe and Northern Europe (WHO report 2012).

In Southern Europe which – according to the WHO report, includes Spain, Italy, Greece, Cyprus, Malta and Portugal – wine is the traditional drink. Wine is primarily consumed with meals, and daily or almost daily by men in particular. However, drinking outside meal times is unusual. A fair number of women abstain from alcohol.



Drinking habits in the Mediterranean wine-producing countries also include avoiding the consumption of large amounts of alcohol in a single session, and intoxication, which is considered shameful.

The south-western region of Europe used to be responsible for the highest consumption figures, but in the last few decades the consumption of wine in particular has decreased considerably in these countries. Nevertheless, wine remains the predominant alcoholic beverage in Southern Europe, although the difference to beer has decreased in recent decades.

In Central and Western Europe, comprising the Netherlands, Belgium, Ireland, the United Kingdom, Austria, Luxembourg, France, Germany and Switzerland, beer has been the most common alcoholic beverage, except in France.

Intoxication is considered negative in Central and Western Europe as well, with the exception of Ireland and the United Kingdom. On the other hand, being drunk has not always been regarded very negatively in the Netherlands and Germany. Beer consumption has decreased slightly in Central and Western European countries; these days, wine and beer consumption are almost equal.

In Eastern European countries (Bulgaria, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, the Czech Republic, Hungary and Estonia) alcohol consumption levels are currently above the EU average. Firstly, the level of undocumented alcohol consumption and binge drinking's share of total alcohol consumption are higher than the EU average. Secondly, strong alcoholic beverages have accounted for a significant share of all alcohol consumption. This applies even to the Czech Republic and Slovakia, where beer has been predominant, and to Bulgaria, Romania, Slovenia and Hungary which produce and consume wine. In actual fact, in recent decades



consumption of beer and strong liquors has increased in Eastern European countries.

Consumption in different parts of the world

On a global scale, consumption levels are highest in Europe and Russia, i.e. the Northern Hemisphere, in a zone extending from the Atlantic coast to the Pacific Ocean.

Other countries with high consumption figures include Australia and New Zealand, Argentina, Nigeria and Uganda. As a rule, alcohol consumption figures are close to the global average in sub-Saharan countries in Africa, in Southern and Northern America and Asia. According to the WHO, the global average is approximately six litres per person aged 15 years or older. Total consumption of alcohol is lowest in countries where the majority of the population is Muslim. Geographically, this region extends from countries on the Atlantic coast in North Africa through the Middle East to Pakistan. Alcohol consumption is also low in Indonesia and some other island countries in the Pacific, as well as in certain countries in the southern parts of the former Soviet Union.

Strong liquors and beer more significant than wine

Worldwide, strong alcoholic beverages are the most significant source of alcohol. Since 1990, however, the consumption of strong alcohol has decreased slightly and that of beer has increased somewhat. By the mid-2000s, consumption of beer had in fact almost equalled that of strong alcoholic beverages, at approximately 1.7 litres of pure alcohol per adult. Consumption of wine accounted for approximately one third of that figure. The assessment of this trend is based on documented consumption figures.

This article is based on a text by Esa Österberg, researcher at the National Institute for Health and Welfare.



Financial responsibility

Added economic value from Alko's operations for different stakeholder groups in 2014



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

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

Open, honest operations in compliance with the legislation, regulations and agreements in force are the necessary basis of our operating principles. The same requirements apply to our business partners. We do not accept bribery or corruption of any kind and adhere to financially responsible principles. Cash assets are invested in order to secure invested capital, ensure solvency and gain returns on low-risk investments.

Customers EUR 1,182.2 million

We offer our customers safe, premium-quality products and services. In 2014, revenue from alcoholic beverages totalled EUR 1,172.0 million (EUR 1,167.9 million in 2013), the rise primarily being due to the increase in the alcoholic beverage tax.

We offered services and supplies worth EUR 7.1 million (EUR 7.1 million), including EUR 514 thousand (322 thousand) in income from analyses performed by the [Alcohol Control Laboratory](#).

We offer a comprehensive [shop network and a wide range of products to customers](#). Our order points complete our service network and support trade and industry in sparsely populated areas.

Our selection management will be reformed in 2015. Preparations for this began in 2014. The aim is to respond better to changing customer demand. This upgrade will enhance the inclusion of local products in the product range of Alko shops.

Other operating income amounted to EUR 3.1 (3.6) million, mainly consisting of rental income, insurance compensation and capital gains.



Suppliers of goods and services EUR 974.2 million

A commitment to ethical principles is integral to our procurement process, in which we take account of indirect impacts in addition to the direct purchase price. We apply responsible purchasing processes developed by the BSCI organisation to the purchasing of alcoholic beverages, and expect our suppliers to adhere to ethical business practices. Our general terms of contract include ethical trading principles. In the procurement of alcoholic beverages, we take account of the instructions set out in the related [legislation](#) (Decree on the Operation of the Alcohol Company 243/2000) on the equal and transparent treatment of suppliers. In addition, we publish [A guide book on our product range and retail sales of alcoholic beverages](#), in which we describe the product listing process for alcoholic beverages.

Alcoholic beverages account for the majority of Alko's procurements. Our purchases of such products from the alcoholic beverage industry and wholesale traders in Finland were worth a total of EUR 926.5 (931.4) million in 2014, and our purchases from international operators were worth EUR 11.3 million. Purchases are made in euros in order to avoid currency risks.

We purchased other products and services costing EUR 47.7 million (48.8) million in 2014.

Other product and service purchases include items such as IT services and rents:

- We invested EUR 7.8 (6.9) million in IT services and consultation, the majority of IT costs being incurred from software licences, maintenance and support. In 2014, we upgraded all of our POS systems and workstations.
- At the end of 2014, 331 of our 353 shops were in rented premises, for which we paid EUR 17.2 (17.5) million in rent. Shop rental costs fell, partly due to the relocation of shops to smaller and more efficient premises. That led to a decrease in rental costs. Due to general economic trends, rent index increases have been moderate.

In 2014, we conducted a [value and supply chain survey](#), which included an analysis of economic impacts affecting the supply chain. In addition to direct impacts, through suppliers of goods and services our purchases have indirect impacts on external players throughout the supply chain. Although we take account of our indirect impacts with the help of ethical trading principles, we do not assess the exact monetary value of these here.

Personnel EUR 88.3 million

In 2014, salaries and fees paid to [personnel](#) totalled EUR 68.0 million (EUR 70.3 million in 2013). Pension expenses amounted to EUR 15.9 (14.5) million and other personnel-related costs came to EUR 3.6 (3.8) million in 2014. We used less employees in our shops as sales decreased.

We supported staff well-being through recreational support, meal benefits and medical care, investing EUR 2,122 (2,053) per employee, EUR 5.4 (5.4) in total. We arrange product training at various levels, mainly for our shop staff. We also trained both office and shop staff to use the new tools. Although most training sessions were organised on in-house premises, they were also delivered via the internal e-learning environment and remotely. We invested a total of EUR 1.9 (2.1) million in training in 2014.

Pensions

In addition to the statutory earnings-related pension scheme, we have a supplementary pension scheme for some Alko employees. Additional pension cover is managed by private pension companies, and by the Alko Pension Fund (division A) supplementary pension. At the end of 2014, the Alko Pension Fund (division A) supplementary pension covered 375 employees, and the so-called Vistalco supplementary pension covered six employees.

The President and CEO and two members of the Management Team have no supplementary pension scheme, but at the end of 2014, four Management Team members belonged to the supplementary pension fund. Alko Pension Fund Division A, under which the retirement age is 61 and the pension represents 66 per cent of the salary, covered one member of the Management Team. Three Management Team members have an accrued supplementary pension scheme. The supplementary pension retirement age is determined by the Employees Pensions Act (TyEL) and the annual benefit paid is 10 percent of annual income, without incentive pay.

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

In 2014, we paid EUR 3.6 million in supplementary pension insurance payments, which represents 5.4 per cent of the company's total payroll.



Society EUR 88.7 million

Our business operations accrue tax revenue for society. Alko's tax matters are headed by the Executive Vice President, Finance. He reports on significant tax matters to the Board of Directors and its Auditing Committee. We do not employ tax planning or direct any assets to accounts abroad. We pay tax on all of our products and revenues in accordance with Finnish law. The tax revenues we pay are channelled through the state budget in order to finance general government spending and are an important source of revenue for the state, for instance in financing social welfare and health care services.

The products we sold accrued EUR 605.2 million in alcoholic beverage tax in 2014 (EUR 591.3 million in 2013). Due to the 1 January 2014 increase in alcoholic beverage tax, the sum of accrued tax increased despite the decrease in sales in shops. Suppliers pay the majority of the alcoholic beverage tax directly to the state for products sold by Alko. In turn, we pay alcoholic beverage and packaging tax for products passing through Alko's central warehouse. We paid EUR 28.9 (29.0) million in taxes on alcohol on an accrual basis for alcoholic beverages passing through our central warehouse, and EUR 0.2 million (0.3) beverage packaging tax. In all, Finnish companies paid over EUR 1.4 billion in alcoholic beverage taxes in 2014.

We paid EUR 49.0 (44.1) million in VAT and EUR 10.5 (12.3) million in corporate tax.

According to calculations by the National Institute for Health and Welfare, the use of alcohol resulted in approximately EUR 1.3-1.5 billion in direct harmful effects to society in 2012.

Organisations EUR 0.6 million

Alko participates in the [In the Company of Children programme](#) together with the A-Clinic Foundation, the Mannerheim League for Child Welfare, and the Finnish Parents' League. Such cooperation is contract-based and, in 2014, we contributed EUR 106,000 (171,700) overall in compensation for the activities of these organisations. In 2013, the National Institute for Health and Welfare received a contribution of EUR 75,000, of which EUR 10,700 was transferred for use in 2014. In accordance with the Annual General Meeting's decision, in 2014 Alko Board of Directors decided to donate EUR 150,000 (250,000) to the 'Sata lasissa' project organised by the Finnish Innovation Fund Sitra, and EUR 100,000 to the Christmas fundraising campaign 'Hyvä joulumieli' of the Mannerheim League for Child Welfare.

In addition, we engage in cooperation with the Finnish Association for Substance Abuse Prevention (EHYT), the Youth Academy, the Finnish Sports Confederation Valo and the University of Helsinki Faculty of Medicine. Alongside these organisations, the sum of contributions against compensation totalled EUR 102,500 (37,000). Gratuitous contributions made to the Junior Chamber International Helsinki's Policeman of the Year nomination and Valo's grant for raising young athletes totalled EUR 6,650. Other gratuitous contributions include EUR 2,000 to the charity organisation Veikko ja Lahja Hurstin Laupeudentyö ry for the organisation of a Christmas event for persons of limited means.

In addition, we supported the research activities of the Finnish Foundation for Alcohol Studies with EUR 67,000 and contributed EUR 15,000 towards the social policy publication 'Yhteiskuntapolitiikka'.

The effects of these grants on profit for the whole year came to EUR 0.6 (0.7) million.

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

The owner EUR 38.0 million

Alko is fully owned by the Finnish government. We paid the owner a dividend of EUR 38.0 million from our revenue for 2013 (EUR 44.0 million from our revenue for 2012). This dividend was paid in two instalments in 2014: EUR 18.0 million in June and EUR 20.0 million in September. The dividend for 2014 will be almost equal to 2013 regardless of the fact that the global economic downturn and tax increases have contributed to a decline in our shop sales.

Alko does not receive any financial assistance from the state.



Investments EUR 6.0 million

We invested in the development of our shops and in strategic projects. In 2014, we invested EUR 2.4 million in developing our shop network (EUR 4.3 million in 2013), opening six new shops and relocating 15. Two shops were closed. A complete makeover was performed in one shop and other renovations were carried out in 25 shops. Since we did not change the concept of any of our shops in 2014 as we had done in the previous year, investments in shop development fell by EUR 1.9 million year-on-year.

We did, however, invest EUR 2.2 million in an upgrade of POS systems in all of our shops. The project aimed at developing our financial and logistics process and IT systems is drawing to a close, with an overall investment of EUR 1.1 (1.1) million. Furthermore, we invested EUR 0.1 million in upgrading laboratory equipment and a total of EUR 0.2 million in smaller information system projects.





Alko's tax footprint report 2014

Alko's tax matters are headed by the Executive Vice President, Finance. He reports on significant tax matters 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 its earnings and all its product sales in accordance with Finnish law.

Alko pays alcohol and packaging taxes on products that pass through its central warehouse. We paid EUR 28.9 million in alcohol taxes (EUR 29.0 million in 2013) and EUR 0.2 million in packaging taxes (EUR 0.3 million) on an accrual basis for beverages passing through our central warehouse in 2014.

Alko paid EUR 49.0 million in VAT (EUR 44.1 million) and EUR 10.5 million in corporate taxes (EUR 12.3 million). Alko paid EUR 16.0 million in wage taxes (EUR 15.6 million) and EUR 1.5 million in social security contributions (EUR 1.5 million).

The alcohol taxes on products sold by Alko amounted to a total of EUR 605.2 million in 2014 (EUR 591.3 million); the largest share of these taxes is paid by the goods suppliers directly to the state. Due to the alcohol tax hike on 1 January 2014, the accrued taxes rose despite the decrease in sales at Alko stores. All in all, Finnish companies paid EUR 1.4 billion in alcohol taxes to the state in 2014.



Legislation

At the end of 2013, Parliament approved changes to the Alcohol Act's section on advertising regulations. From 1 April 2014 onwards, the amendment permits Alko to communicate the prices of strong alcoholic beverages in a consistent manner on the web, in addition to the printed price list. Other amendments to the section on advertising entered into force on 1 January 2015.

At the so-called mini-Government negotiations in June 2014, Prime Minister Alexander Stubb's Cabinet decided to postpone the overhaul of the Alcohol Act. Preparation of the reform was well underway, but will not be implemented in the current parliamentary term.

The key acts, provisions and decisions regulating Alko

Alko's operations are guided by specific legislation and ownership policy objectives set by the State. Alko Inc is one of the State's special assignment companies, 'which have been assigned a certain task by the State or which do not operate in a competitive environment due to an exemption granted to them'. The key acts and regulations applicable to Alko's operations are as follows:

- Alcohol Act (1143/1994)
- Alcohol Decree (1344/1994)
- Decree on the Operation of the Alcohol Company (243/2000)
- Decree on Alcoholic Beverages and Spirits (1344/1994)
- Decree on the retail sale of alcoholic beverages by sending them to the customer or the buyer (680/1996)
- Act on Excise Duty (182/2010)
- Act on Excise Duty on Alcohol and Alcoholic Beverages (1471/1994)
- Act on Excise Duty on Certain Beverage Containers (1037/2004)
- Waste Act (646/2011)
- Government Decree on packaging and packaging waste (518/2014)
- Government Decree on refund systems of beverage containers (526/2013)

Alko Inc's corporate governance complies with the Articles of Association, the Companies Act (624/2006) and the special legislation applicable to the company. In addition, Alko complies with the Government Resolution on State Ownership Policy and, where applicable, the Finnish Corporate Governance Code issued on 15 June 2010 by the Securities Market Association.



Customer service and products



Customer service and products

Customer experience

We supervise sales – what does this involve?

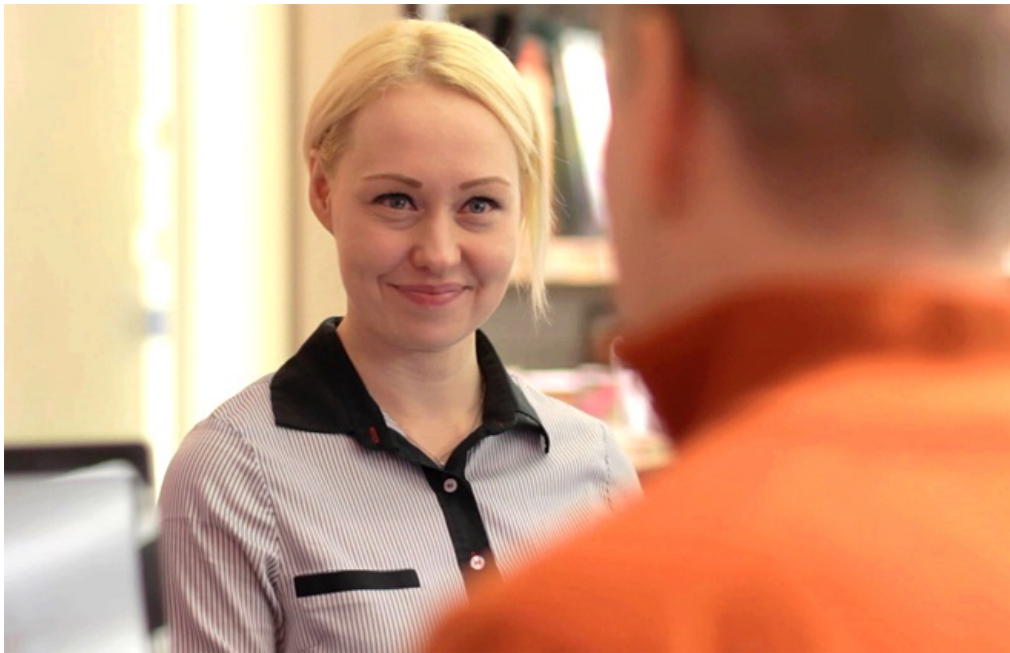
Sales of alcoholic beverages

Alko's broad range of beverages

Packaging and gift articles



Successful customer experience comes above all else



Our customers appreciate the service they receive at Alko. We conducted several surveys to analyse customer experiences. While the results indicate that we have certainly succeeded, there is still room for improvement.

It is vital that not only the sales staff but all Alko employees understand how customers experience our service, the kinds of mental associations that Alko creates and how everyone can have a personal impact on those associations. Creating a top class customer experience requires the willingness to listen to and understand customers' needs and expectations, while being able to satisfy or even exceed them.

In brief, our aim is for customers to feel that their expectations are exceeded both in our shops and through our digital channels.

To measure is to know.

In 2014, Alko conducted two surveys in order to measure service quality: the Finland Today national customer service feedback survey by Taloustutkimus and TNS Gallup's Customer experience survey by Exit interviews.

In brief, the results were as follows:

National customer service feedback survey 2014

According to the national customer satisfaction survey Finland Today, Alko was number one in customer experience among retail chains. Alko's grade equalled that of last year (8.45).

In the same survey, Alko was compared not only to retail chains but to 68 Finnish service companies. Within this group, Alko had the third most satisfied customers, who were most satisfied with the level of service expertise and friendliness. Service expertise is the factor that makes Alko stand out from other retail chains. The pleasantness of the premises and satisfaction with the price-quality ratio received the lowest ratings. In comparison with other retail chains, we were the best in all factors except the price-quality ratio. Customers were most satisfied in the regions of Uusimaa and Pirkanmaa.

TNS Gallup: Customer experience survey by Exit interviews (TNS Gallup Oy)

At the end of 2013, Alko wound up its long-used Mystery shopping survey on service processes, but introduced another survey in March 2014 to measure the customer experience. Over the year, a total of over 20,000 Exit interviews were conducted with Alko customers. Our first Exit result, i.e. the customer experience index, was 4.0 on a scale of 1 to 5.



Shop staff training in 2014

The service training of all shop staff teams, which ended in December 2013, was resumed in May 2014 with follow-up meetings led by Alko customer staff ambassadors for 110 teams. The aim was to recap the key points of earlier training sessions, to remind staff of our commitment to improve service, and to help salespersons to place themselves in the customer's shoes in service contexts. The methods used included considering and writing down thoughts and ideas on how customers experience the shop in which the participants work, and the service they receive there.

Alko is adopting a new approach to shop staff training, by conducting more such training in its shops and online. The contents of in-shop training have been designed to combine understanding of the customer experience and product expertise training.

Service in shops improved, based on the themes selected by the teams themselves

In 2014, each shop's team selected a special theme for improving service, choosing an issue that requires development. This replaced the former approach based on which all shops shared the same theme and enabled each shop to develop the issue that most required improvement. Themes included actively offering assistance, serving young customers, not forgetting to say thank you with a smile, charting the customer's needs, collecting customer feedback and taking account of one's own attitude.

We supervise sales – what does this involve?

Alko employees are very familiar with the term 'sales supervision'. This concept involves responsibility in everyday work: the supervision of age limits, cases of intoxication and suspected handover.



We have prepared detailed instructions in support of employees at work. The guide, called Sales supervision rules, was revised in 2014, and all Alko employees took a test in sales supervision. The purpose of this is to ensure, on a regular basis, that all employees' passports on the issue are valid: only a valid passport entitles a person to work at the checkout in our shops.

We also revised our brochure for clients on sales supervision rules and published it in Finnish, Swedish, English and Russian.

Supervision measures are registered in the POS system. In 2014, we performed age checks more than 3.6 million times, carried out checks on suspected intoxication 660,000 times and checked more than 360,000 suspected cases of handover.

Success in age-limit checks measured

Alko measures the success of age-limit checks in two ways. First of all, we register the checks in the POS system. The above figures were obtained in this way. Similarly, suspected cases of intoxication and handover are registered in the system.

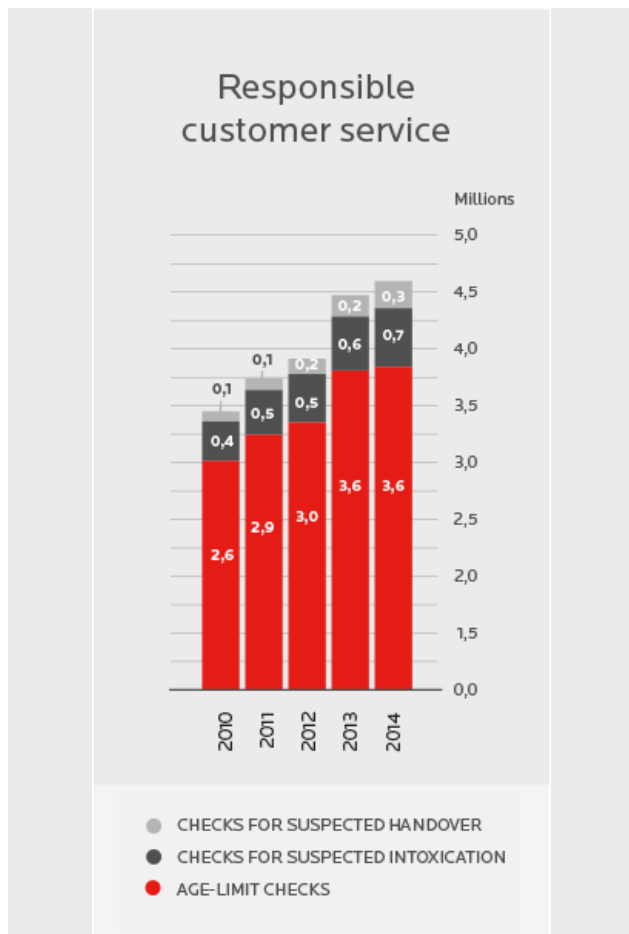
Secondly, the success of age-limit checks is measured using the Mystery Shopping detection method. Two mystery visits were made to all Alko shops in 2014. Our goal for 2014 was to perform an age check on 90 per cent of young-looking customers, but we fell slightly below target at 89 per cent.

When is a customer's ID checked?

Alko employees perform an age check on all customers who look as though they may be under 25 years of age. If a customer seems to be intoxicated, we perform an intoxication check. The purpose of checking suspected cases of handover is to ensure that alcohol is not handed over to minors or intoxicated persons.



We ask customers to provide IDs and assess whether a person is clearly intoxicated or whether there is a risk of alcohol being handed over to minors or intoxicated persons.





Sales of alcoholic beverages

Detailed information on the sales of alcoholic beverages can be found in the graphs below. The National Institute of Health and Welfare publishes information on the consumption of alcohol in Spring 2015 at thl.fi.



Sales of alcoholic beverages falling at Alko

Mild wines, the largest of Alko's product groups, include red wine, white wine and sparkling wine. These account for more than 50 per cent of sales of alcoholic beverages at Alko.

In 2014, sales of mild wines amounted to 55.2 million litres, i.e. 0.9 per cent less than in 2013.

Red wines were the most-sold products and the best sellers were inexpensive red wines costing less than seven euros per bottle. However, sales of red wines were down by 2.6 per cent year-on-year. Almost one third of red wines sold by Alko are Chilean, followed by Spanish, Italian and Australian wines.

Sales of white wines increased by 0.2 per cent in 2014. In this category, wines costing under seven euros per bottle sold best. The most popular white wines came from Chile, South Africa, Germany and Italy.

Sparkling wines retained their popularity, with sales increasing by 3.3 per cent. Almost 38 per cent of sparkling wines bought at Alko came from Spain, followed by French and Italian ones.

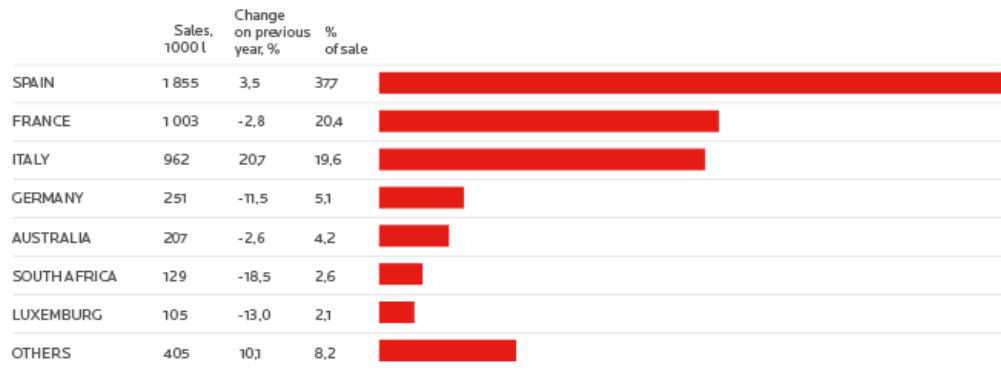
Sales of rosé wines increased by 4.6 per cent year-on-year. Summer is the high season for rosé in Finland.

Price formation

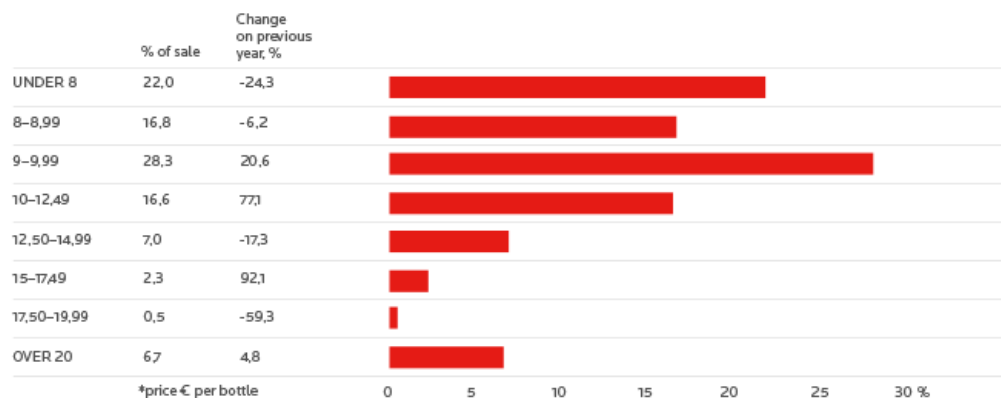




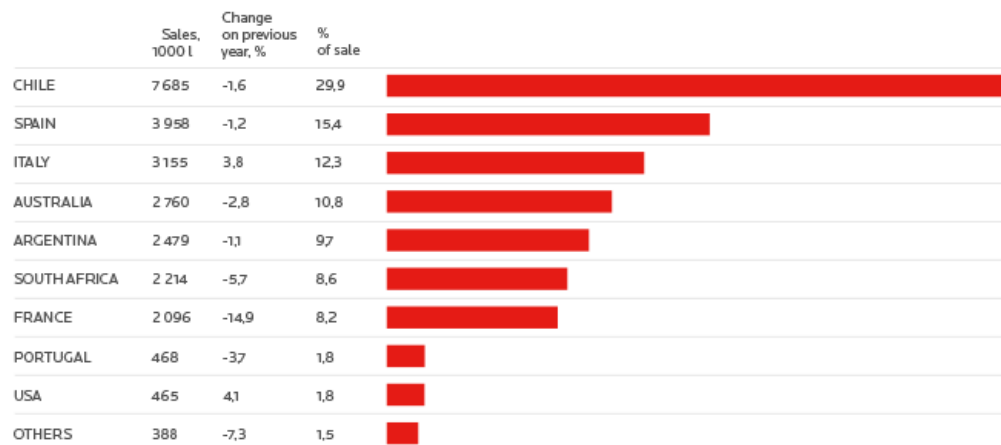
Sparkling wine sales by country of origin 2014



Sparkling wine sales breakdown by price category * 2014

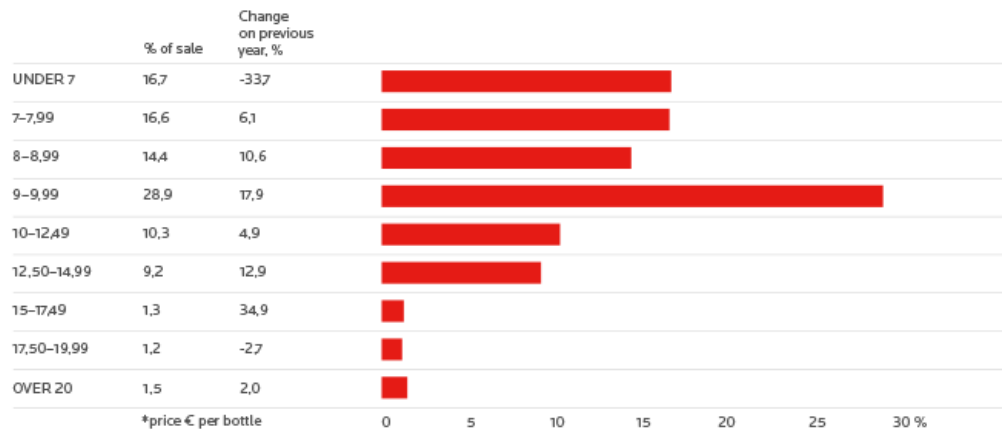


Red wine sales by country of origin 2014

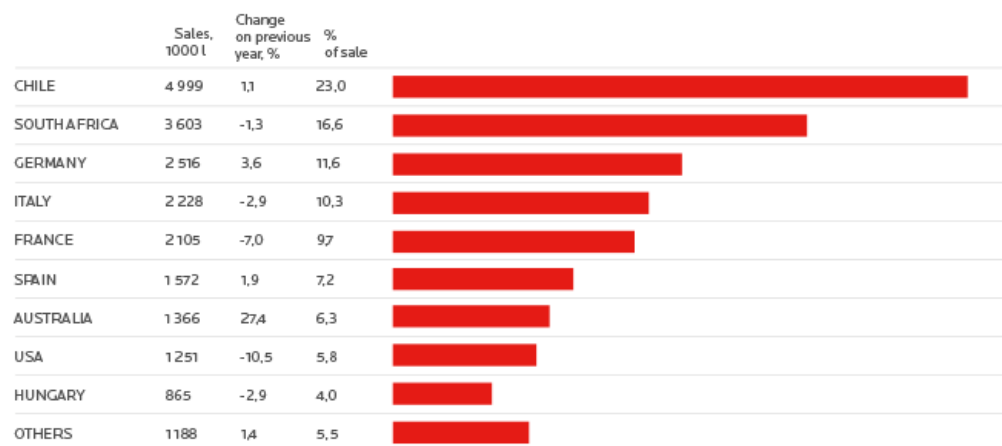




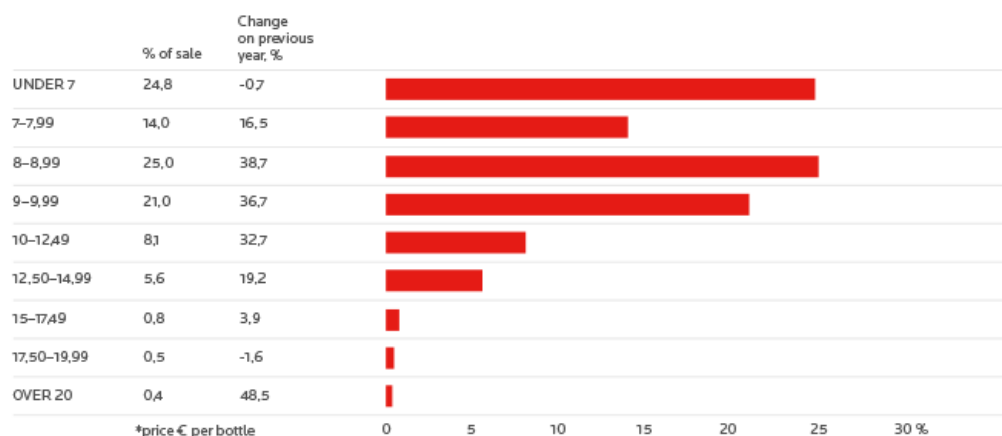
Red wine sales breakdown by price category * 2014



White wine sales by country of origin 2014

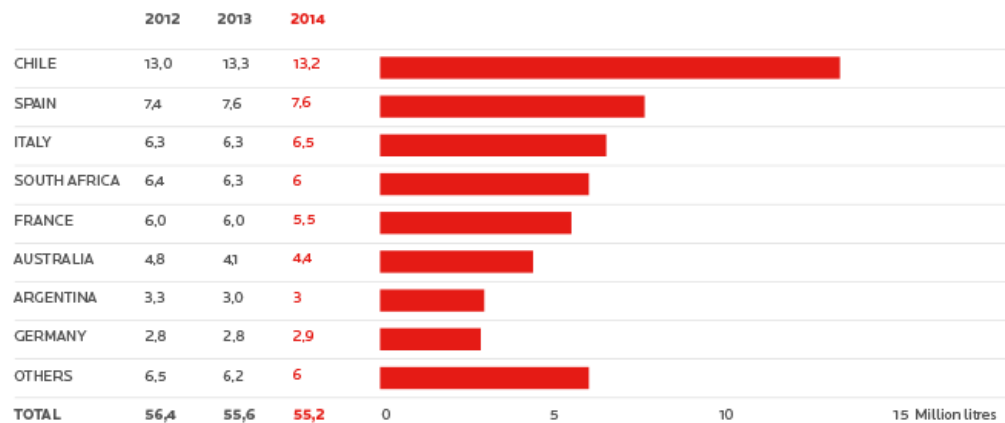


White wine sales breakdown by price category * 2014





Wine sales by country of origin

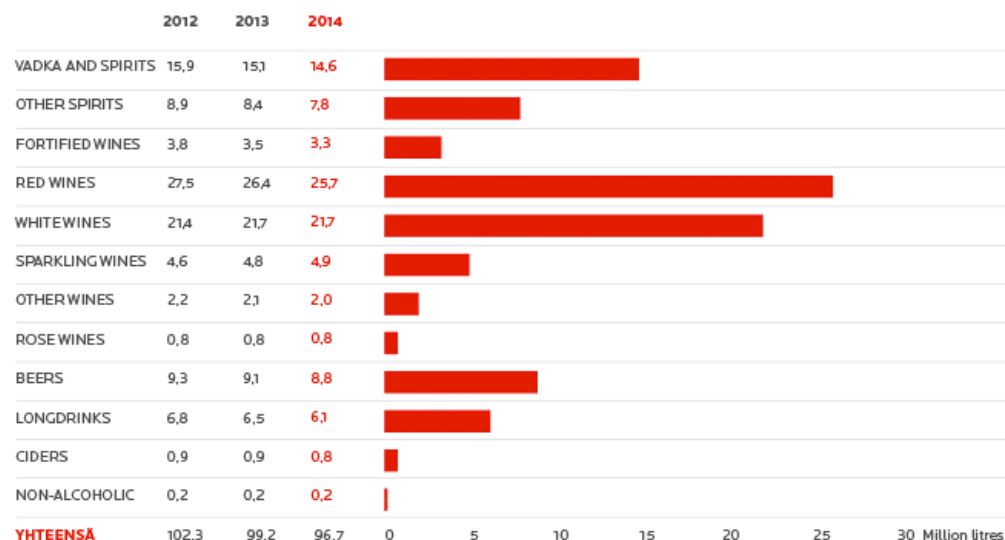


Flavoured spirits increasingly popular

In 2014, the downward sales trend in spirits continued. Sales of vodka and other spirits declined by 3.5 per cent in volume, but sales of flavoured spirits grew by 8.9 per cent.

Sales by volume of other strong alcoholic beverages fell by 6.4 per cent and those of fortified wines by 6.7 per cent.

Sales by product group



Total in 100% alcohol 16,3 million litres in 2014

Lager the most popular beer at Alko

In 2014, sales of beer declined by 3.2 per cent.

Lager and strong lager beers were the most popular beers among Finns. Lager sales have declined, however, and the same trend continued in 2014 while sales of ale, stout & porter, wheat beer and special beer brands increased. Customers' interest in both domestic and international small brewery products grew and we intend to continue expanding this selection.

Sales of cider and long drinks decreased year-on-year, by 11.2 and 5.4 per cent, respectively.



Alko sold 186,000 litres of non-alcoholic beverages; sales increased by 3.3 per cent. Regardless of the relatively small sales volume in question, this is a growing trend. Alko intends to broaden the selection of such beverages in 2015 and display them more prominently in its shops.

Sales of organic and ethical trade products are increasing

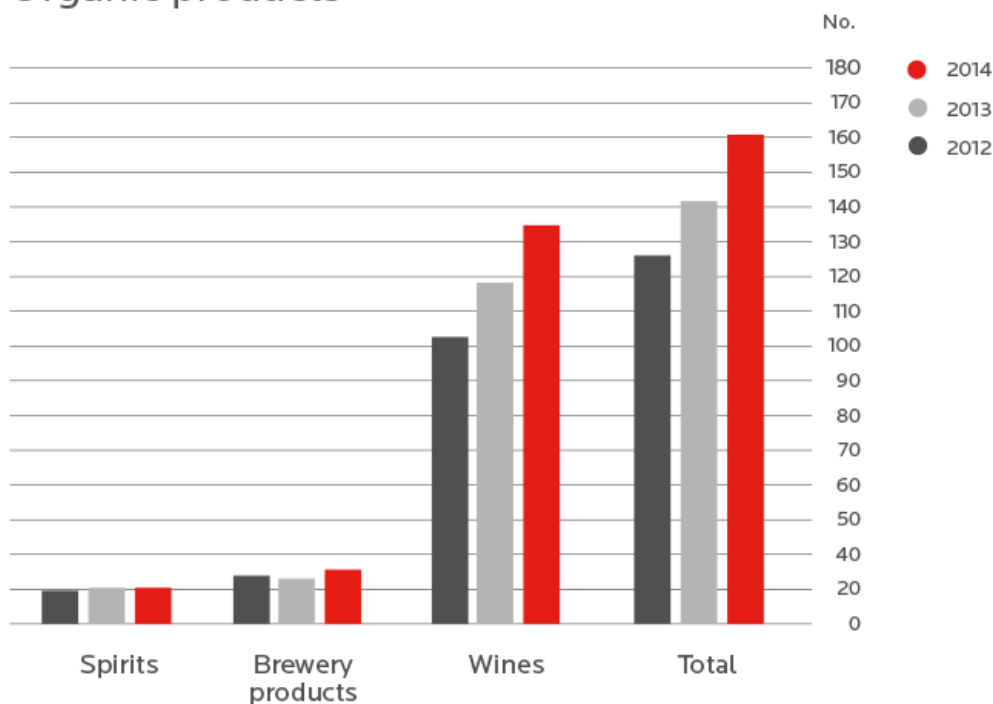
In 2014, mild wines accounted for the majority of the more than 4.5 million litres of organic alcoholic beverages sold (+13.4%). Alko has been selling organic products since 1994.

Organic alcoholic beverages are made from organically grown natural ingredients in accordance with the EU Regulation on Organic Production. [Organic products](#) sold at Alko are certified by local organic organisations and authorities.

Sales of ethical trade products totalled around 1.2 million litres (+29.9%). Alko has been selling these products since 2007.

Ethical trade is based on the principle that farmers and workers should receive fair compensation for their work, which should be done in the appropriate conditions. All [ethical trade products](#) (e.g. Fair Trade and Fair for Life) in Alko's product range have international product-specific certification.

Organic products



The consumption of alcohol

According to the foreknowledge, the overall consumption of alcohol in Finland mounted to 39.6 (41.4) million litres of 100 per cent alcohol. Alcohol sales declined both at Alko and licenced sales at restaurants. At other retail sales places the sale of alcoholic beverages increased slightly. Alko's share of alcohol sold in Finland remained at the same level 40.6 (40.6) per cent.



Alko's broad range of beverages



Alko's broad range of beverages

Beverages in the Alko main product range (standard selection) are selected on a worldwide basis. Seasonal products, sale-to-order products and beverages of limited availability supplement the standard selection.

Product range planning is based on so-called 'customer-oriented product range trees' to enable the assessment of demand and the current product range in relation to the needs of various customer groups. Tools for charting the needs and wishes of customers include various customer surveys.

NOSTO: We follow trends at home and abroad, taking account of the opinions and wishes of customers and beverage enthusiasts.

The main principles that guide our purchasing

The main principles that guide purchasing at Alko are transparency and the equal treatment of all tenderers. Producers, importers and agents may offer Alko their products or products that they represent, in line with the [purchasing plan](#) accessible on Alko's website.

The purchasing plan sets strict criteria for the products we obtain. An independent expert panel assesses these products based on a sensory evaluation, with the most successful ones being chosen to complement our product range. In 2014, of the approximately 7,400 new beverage products offered to Alko less than 10 per cent, or 713 products, were accepted for sale.

Instructions for suppliers and information on product selection, placement of offers and retail sales are published on an annual basis online at www.alko.fi.

Supplier of the Year 2014

Alko has been presenting a Supplier of the Year award since 2010. As in the previous year, the winner in 2014 was Pernod Ricard Finland Oy. The comparison included a total of 29 direct suppliers that met the [selection criteria](#).

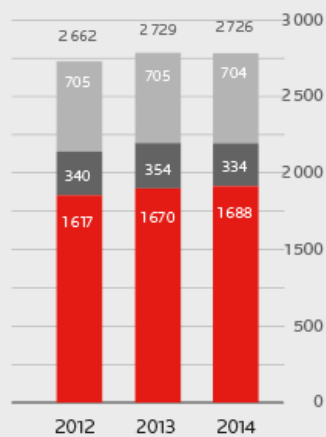


We follow trends at home and abroad, taking account of the opinions



and wishes of customers and beverage enthusiasts.

The number of alcoholic beverage brands in the standard product range for 2014



- STRONG BEVERAGES ¹⁾
- BREWERY PRODUCTS ²⁾
- WINES

¹⁾ VODKA AND UNFLAVOURED SPIRITS, OTHER SPIRITS AND FORTIFIED WINES
²⁾ BEERS, CIDERS AND LONG DRINKS
THESE FIGURES INCLUDE ALL BOTTLE SIZES AND THE SPECIAL PRODUCTS SOLD AT THE ARKADIA STORE IN HELSINKI.



Packaging and gift articles

Alko's new shopping bags were met with ample, positive feedback from our customers.



Environmental issues taken into account in selection of packaging and gift articles

Alko shops offer a wide range of packaging and gift articles. Of these, the biggest selling article is the plastic bag.

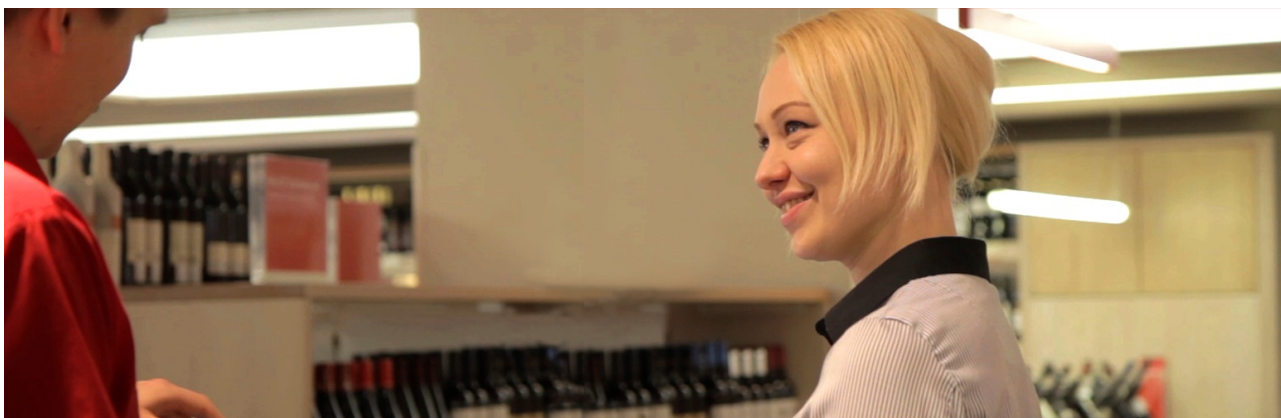
- We use plastic bags made from 60% recycled plastic. These bags can be reused as garbage bags or disposed of as energy waste.
- Alko's decomposing paper carrier bags can be used as compost bags or as recycled cardboard receptacles, and the small paper bags are suitable for biowaste collection. Both can also be recycled as cardboard.
- Reusable bags made from artificial fibres are an ecological choice due to their reusability and the small carbon footprint associated with their manufacture. If necessary, such bags can be disposed of as energy waste.
- Some of Alko's gift wrappings are made of recycled material, including the popular Eco gift bags made of 100 per cent recycled paper. The Christmas 2014 seasonal selection included a wooden recyclable gift box, designed to be recycled as a storage box.
- Alko's Etiketti product line includes a variety of high-quality products for the consumption and storage of beverages. These have been selected by experts at Alko to be long-lasting.

New design for Alko shopping bags

The new design for Alko shopping bags was implemented in order to create an updated look without compromising on environmental values. We chose a stylish black colour for the plastic bag film in order to eliminate colour variations resulting from the use of recycled plastic, and replaced the white paper material used in our paper carrier bags with brown kraft paper. The new brown carrier bags are ideal for the recycling of small cardboard packages and can be recycled as cardboard. We did not change the materials used in our reusable carrier bags and small paper bags, but chose a new pattern in order to modernise them. Launched in the summer of 2014, these new bags were met with ample, positive feedback from our customers.



Personnel



Personnel

Great Place to Work

Changes in the number of employees

Employee benefits and remuneration

Collective agreements and cooperation

Well-being and safety at work

Training and development



Alko is the Best Workplace in Finland for the second time



In February 2015, Alko was chosen as the best workplace in Finland for the second time in the large companies category of the Great Place to Work competition. Such an achievement is not the result of isolated, individual measures. Instead, it required long-term goal-oriented work by Alko employees on a broad basis. Specific focus areas included putting the corporate strategy into practice at individual level, inclusive leadership, work community skills at all organisational levels, and the development of staff competence and well-being at work.

Alko's excellent customer service is based on expert staff who have the right attitude to their work. Every Alko employee participates in four training days per year on average. In-house service and product trainers are responsible for competence development. Additional tools include diverse competence sharing in the workplace, an e-learning environment, degree-oriented training and co-workers acting as trainers.

Occupational well-being is developed in numerous ways, such as feedback on personal well-being, training which provides supervisors with concrete tools for managing occupational well-being, and the identification and utilisation of team strengths. Alko offers targeted support to work communities whose well-being requires development.

Jointly achieved success is based on clear and specific goals. Job descriptions and the objectives of the incentive scheme are based on Alko's strategy. Employees trust in the management's vision of the company's direction. Alko's strengths include excellent staff motivation tools and the preparedness of managers to listen to and involve employees, and to make an effort to be present and engage in open interaction at all levels of the organisation, by means such as visiting shops and even working there.



Changes in the number of employees

Long-term employment relationships at Alko are an indication of the high level of employee loyalty.



At the end of 2014, we had 2,611 employees (2,705), down by around 3.5% year-on-year, of which 406 (433) were fixed-term and 2,205 (2,272) permanent employees. In 2014, Alko had an average of 2,524 (2,610) employees, totalling 1,879 (1,901) person-workyears when converted into calculated person-workyears. This lower headcount was partly due to the decrease in sales and partly to the efficient allocation of human resources as a result of measures such as holiday planning, which enabled Alko to manage the summer holiday season with approximately 80 fewer summer employees than in the previous year by channelling working hours towards in-house staff.

Almost all experts in the head office are employed on a full-time, permanent basis. Part-time employees account for roughly 70 per cent of all permanent employees. Most part-time employees are sales staff because sales are busiest towards the end of the week and during holiday seasons. Good HR planning helps us to ensure that we offer as many working hours as possible to in-house staff. Any vacancies and vacant shifts are offered to Alko's part-time employees first. Uniform practices enable good shift planning. Our aim is to combine the requirements for ensuring a good customer and staff experience and high efficiency.

Duration of employment and turnover

Long-term employment relationships at Alko are an indication of the high level of employee loyalty. Almost 70% of our permanent employees have been with Alko for more than 5 years.

Table 1. Distribution of personnel per service year, permanent employees

Duration of employment relationship	Management Team	Managers and supervisors	Shop managers	Experts	Sales staff	%
less than 1 year	1	3	1	5	87	4.4%
1-2 years	2	3	4	15	270	13.3%
3-4 years			11	7	274	13.2%
5-9 years	2	9	44	32	513	27.2%
10-15 years	1	9	93	23	331	20.7%



16-19 years		6	20	14	54	4.3%
20-29 years	1	5	44	13	211	12.4%
30-39 years		1	33	10	49	4.2%
more than 40 years			2	2	3	0.3%
TOTAL	7	36	252	121	1792	100%

In 2014, 732 (741) new employment relationships began in Alko, 70 (146) of which were permanent and the remainder (638) fixed-term. The seasonal nature of Alko's business explains the high number of fixed-term employees. They are needed as an additional resource to support permanent employees during high seasons. Many fixed-term employees have a previous work history with Alko: of the 732 new employees, only 332 were completely new. This is a clear indication that Alko is a good workplace to which people want to return. Of the new employees, 78% were women and 22% men.

We support diversity in the work community, but the work of our largest employee group, shop staff, involves a number of tasks that require employees to be in good physical condition (e.g. unloading products that arrive in the shop). Fluent Finnish-language skills are important in customer service.

In 2014, 558 (615) employment relationships were terminated, 70% of which were with women and 30% with men. The average duration of employment (permanent employment) at Alko is 11 years (10.7).

Table 2. Employment contracts that began, employment contracts that were terminated in 2014

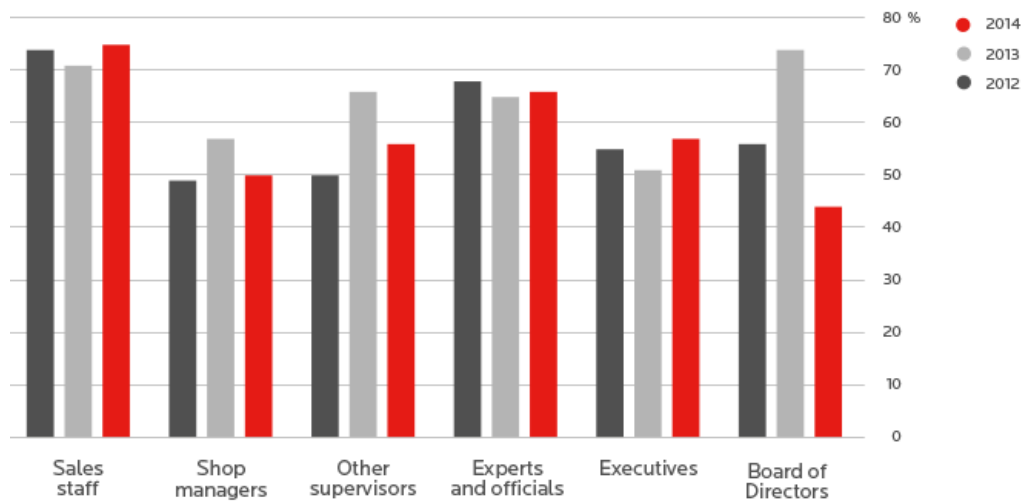
Key figure	2013	2014
Number of employees 31 December	2,705	2,611
Average over the year	2,610	2,524
Number of employment contracts that began#	741	732
Number of terminated employment contracts	615	558
of which were terminated by the employer, %	12	12
Total turnover rate, %	23.6	22.1

In 2014, a total of 49 (26) employees retired from Alko. In addition, three moved onto a full-time disability pension and five to a part-time disability pension. We invest in activities aimed at maintaining the working ability of our employees, and engage in close cooperation with our employment pension company and occupational health service provider. The average retirement age (including disability pension) was 60 (59.3).

Gender distribution

Alko staff are predominantly female: 72% of Alko employees are women. Due to changes in the Board of Directors, the share of women on the Board decreased from 74 to 44 per cent. Alko's Management Team of seven has four female members. The number of men and women is almost equal among supervisors at head office and in regional offices and among shop managers. In expert positions, 66% of employees are female, and 75% are female in sales. This is due to the predominance of women in the retail trade and the fact that most applicants for sales positions at Alko are female.

Share of women in various positions



Age distribution

The share of under 26-year-olds has fallen slightly compared to 31 December 2013. This is probably due to the recruitment of fewer employees in 2014 than in the previous year. In other respects, the age distribution has changed little over the past five years. The number of 26–35 year-olds has increased slightly as some employees have moved out of the group due to their age.

Family leave

The number of employees on family leave has remained almost unchanged year-on-year. However, the number of men taking family leave grew by more than 100% from 2013. In the period under review, the number of women going on family leave decreased slightly (-7%).

Table 3. Family leave began 2013–2014

family leave began	2013	2014
men	26	57
women	144	134

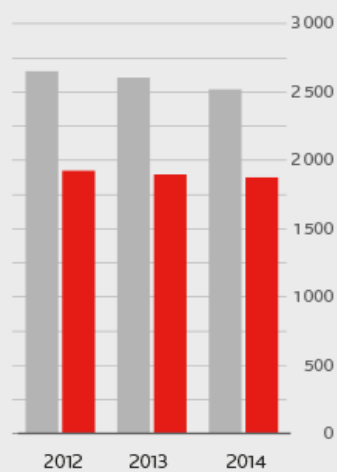
The majority of family leave taken by men is still so-called paternity leave, which does not last as long as maternity leave. It is still the case that most employees taking parental and child-care leave are women. No statistics are available on the actual ratio of return to work or employee retention, but most employees returning from family leave return to their previous positions. Only a small minority do not return e.g. because they move on to another employer.

Table 4. Family leave ending 2013–2014

family leave ended	2013	2014
men	38	57
women	150	150



Changes in the number of personnel



● NUMBER OF PERSONNEL
● PERSON-YEARS

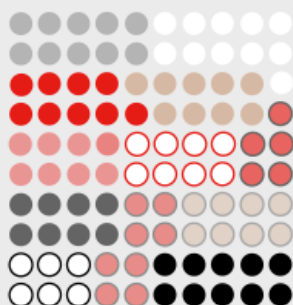
Age distribution of staff



● OVER 55 ● 26-35
○ 46-55 ● UNDER 26
● 36-45



Geographical distribution of staff



- HELSINKI AREA 13%
- UUSIMAA AREA 11%
- SOUTHWEST FINLAND AREA 9%
- PIRKANMAA AREA 9%
- PÄIJÄT-HÄME AREA 8%
- CENTRAL FINLAND AREA 8%
- SOUTHEAST FINLAND AREA 8%
- EASTERN FINLAND AREA 8%
- POHJANMAA AREA 8%
- OULU AREA 7%
- LAPLAND 5%
- HEAD OFFICE 6%

Employee benefits and remuneration



Alko's employee remuneration system is fairly diverse, comprising the basic salary, benefits and an incentive scheme which makes the links between the strategy and remuneration tangible for all employees. Our intention is to improve the contents of remuneration and engage in better communication on this matter, in order to offer our employees a comprehensive remuneration package that supports the corporate strategy.

A total of 68.0 (70.3) million euros were paid in salaries and fees. The average annual pay of all Alko employees (incl. benefits and incentive pay, if applicable) was EUR 30,713 in 2014. Task specific salaries for sales staff and shop managers are paid according to the collective agreement. Other factors that influence wages, such as increments, bonuses, years of experience and cost-of-living classification of municipalities, are also agreed in the collective agreement and apply to all employees covered by the agreement. The salaries of employees in expert and managerial positions at the head office and regional offices are determined on the basis of position-specific competence requirements, competence, experience, performance and results.

Ratio of basic salary of men to that of women

Equality of pay is one of the issues examined as part of the annually prepared equality plan. Gender does not affect pay at Alko and no significant pay differences have been identified between comparable positions. The pay of most Alko employees is determined on the basis of tables drawn up in collective agreements.

Employee benefits

In addition to statutory benefits, Alko offers both fixed-term and permanent employees the following benefits:

- Occupational health care: In addition to statutory occupational health care, we offer all staff medical care at general practitioner level.
- Meal benefit: All Alko employees receive a meal benefit for each working day. We aim to encourage our staff to adopt a healthy and balanced diet.



- Sports and cultural vouchers: We support our employees' leisure-time fitness and cultural activities by providing sports and cultural vouchers.
- Recreational allowance: We support joint team activities with a recreational allowance.
- Holiday destinations: We offer holiday destinations for employees in Vierumäki, Yläs, Tahkavuori and Luosto.
- Personnel clubs: In 2014, Alko had 10(18) activity clubs for personnel which received financial assistance from the company.
- Company phone and car: Provided if required for performing one's duties.

Benefits are basically available for all Alko employees (excl. company phones and cars, which are provided for certain positions only).

Remuneration for the Board of Directors and chief executives

Alko's Annual General Meeting decides annually on the fees and other financial benefits paid to the members of the Supervisory Board, and the Board of Directors and its committees. Fees are paid in monetary form. According to the decision made at the Annual General Meeting of 27 May 2014, meeting fees were to be paid to Supervisory Board members present at meetings as follows:

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

In 2014, the Supervisory Board convened five times.

The Annual General Meeting decided on the following fees for the Board of Directors in 2014:

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

The Board of Directors convened ten times. Board members participated in all meetings of committees appointed by the Board.

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



Remuneration systems

Remuneration systems

Alko's remuneration system supports the attainment of the company's strategic objectives. Remuneration systems linked to the basic salary for shop staff are based on salary tables in the collective agreement. The salaries of staff in expert posts at head office are based on the competence requirements of each position. When devising the remuneration systems, account was taken of the opinions of employee organisations' representatives and the Board of Directors.

Incentive system

The Board of Directors decides annually on the principles governing the incentives and performance targets determined for staff and the Management Team, on the basis of a proposal by the Staff Committee. The Board approves the annual remuneration paid. The incentive system was revised at the beginning of 2014 to make it clearer for staff, and to better support the corporate strategy. Alko's incentive system will reward the entire staff if the company achieves the threshold goals set for operating profit. The incentive system, which encourages staff to act in pursuit of our common strategic objectives, is closely linked to Alko's strategic focus areas: customers, staff, responsibility and operational efficiency, while our indicators steer us towards succeeding and performing profitably together.

The Management Team's incentive system is based on goals selected from the company scorecard (customers, responsibility, staff and operational efficiency) and indicators for monitoring the realisation of such goals. For 2014, the incentive bonus comprises up to 15% of the annual salary and the objectives were equal for all members of the Management Team:

- The best customer experience in Finland: Overall grade (National customer service feedback survey) and ranking among service companies (National customer service feedback survey) – weighting 25%
- The most responsible service company in Finland: ResponsibilityTRI*M (Reputation and responsibility), ranking in the retail, service and finance category (Reputation and responsibility) – weighting 25%. In the ResponsibilityTRI*M survey, carried out by TNS Gallup, 530 Finns responded on Alko's corporate responsibility performance from various perspectives. The sampling performed for the survey is balanced on the basis of the age, gender and region of the population in question. The index generated by this survey provides one of the feed-ins for the incentive system for head office staff and the Management Team.
- The best workplace in Finland: Trust Index (Great Place to Work), ranking in the large companies' category (Great Place to Work) – weighting 25%
- An efficient chain of specialty stores: Costs/net sales (%) - weighting 25%

As for the management, the incentive system indicators for 2014 were based on the objectives of Alko's strategic focus areas: customers, responsibility, staff and operational efficiency. The starting point for the incentive system is to reward staff on a team basis. In 2014, incentive pay amounted to a maximum of 6 to 12 per cent of the annual salary, depending on the recipient's job description.

Responsibility is an incentive indicator for all staff groups. The indicator for responsibility is chosen to match the tasks of each employee group:

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

The incentive system is devised in-house, not with the help of outside incentive consultants. The reward is paid out once per year; the prerequisite for its payment is a predetermined level of cost-effectiveness and approval by the Board of Directors. In 2014, the amount reserved for the incentive scheme (including the bonuses paid to managers and staff), plus personnel expenses, totalled 3.5% (3.7%) of total personnel costs.

Individual pay component in shops

In addition to the basic salary, we reward the best sales personnel and shop managers with an annual individual pay component, which is determined in line with criteria set together with staff representatives.

The individual pay component criteria for sales staff are:



- responsibility
- a service-minded approach
- competence
- succeeding together and
- result orientation.

The individual pay component criteria for shop managers are:

- service management
- responsibility
- work community management
- change management and
- operational efficiency.

In 2014, the individual pay component was paid to 365 (377) members of sales staff and 50 (48) of shop managers.

The ratio of the highest and average annual earnings (G4-54, G4-55)

The average annual total earnings of staff total 6.9% of the total annual earnings of the President and CEO, calculated for all employees in active employment in Alko in 2014, regardless of the type of employment and working hours.

Pensions

Alko employees are insured in accordance with the statutory employment pension insurance. Employees who joined Alko before 1992 are covered by additional pension insurance according to which their retirement age is lower than the statutory retirement age. The additional pension scheme has been abandoned for new chief executives recruited. In 2014, four of the seven Management Team members were covered by the additional pension scheme.

Collective agreements and cooperation



Two collective agreements apply at Alko: the collective agreement between the Federation of Finnish Commerce FFC and the trade union for alcohol trade, Alkoholikaupan Ammattiliitto ALV ry, representing sales staff, and the collective agreement between the Federation of Finnish Commerce FFC and the trade union for officials in the alcohol trade, Alkoholialan Toimihenkilöt ry. Company-specific collective agreements are supplemented by the trade sector's collective agreement. These collective agreements apply to all Alko employees.

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

The employee representative system at Alko is defined in collective agreements. Alko's consultative committee, which comprises representatives of the employer and both employee organisations, convened nine times in 2014.

With respect to the two employment disputes involving Alko, which were pending in the courts in 2014, in November the Supreme Court was asked for leave to appeal in one of the cases, while the other remains pending in the Labour Court of Finland.



Well-being and safety at work

Well-being at work has been developed in numerous ways.



In the sectors of well-being and safety at work, we are implementing a number of tried and tested measures such as team building and the training of teams in order to promote the understanding of diversity, accident prevention and consistent monitoring, actions aimed at reducing absenteeism due to sickness, and targeted well-being projects for certain groups. Well-being at work has been developed in numerous ways, e.g. through training aimed at providing supervisors with concrete tools for managing occupational well-being, as well as identifying and utilising team strengths. We focus on the key elements of well-being at work, including competence and leadership and the avoidance of risks related to working capacity. The various areas of well-being at work include competence, management, the work environment, health and social relations at work and, as the basis for all else, doing good work. In 2014, we invested an average of EUR 1,491 per employee in measures related to well-being at work. The increase in this sum is mainly due to the rise in the 'well-being at work' allocation from 50 to 100 euros per employee in 2014. In addition, we supported employees' participation in leisure-time sports events.

Occupational safety

Alko has an occupational safety committee for organising cooperation on work safety. Sales staff have six representatives, while office workers have three and the employer three. In addition, an occupational health physician and/or nurse participate in meetings of the committee. The occupational safety committee's tasks are defined in occupational safety and health legislation and agreements between the employer and both employee organisations.

The occupational safety committee convened five times in 2014. In occupational safety work, attention is focussed on the development of well-being at work and working communities, the prevention of accidents, communications on safety and accident investigation training.

Accidents and occupational diseases

The main focus is on guidance for employees and the prevention of work-related risks. In 2014, a total of 121 (129) occupational accidents, 28 (40) while commuting, occurred at Alko. These accidents accounted for an average of 5 (5) days of leave. At present, the gender distribution in relation to accidents and near miss incidents is not reported.

In 2014, the number of accidents remained almost unchanged in comparison to the statistics for previous years. The most common causes of accidents at Alko are cuts incurred while opening crates and musculoskeletal injuries that occur while lifting loads. While commuting, slipping is the most common cause of accidents. Although the number of accidents has remained practically unchanged, those that occur are less serious thanks to effective instructions, training and accident investigation. This is reflected in the declining trend



in days of absence due to accidents.

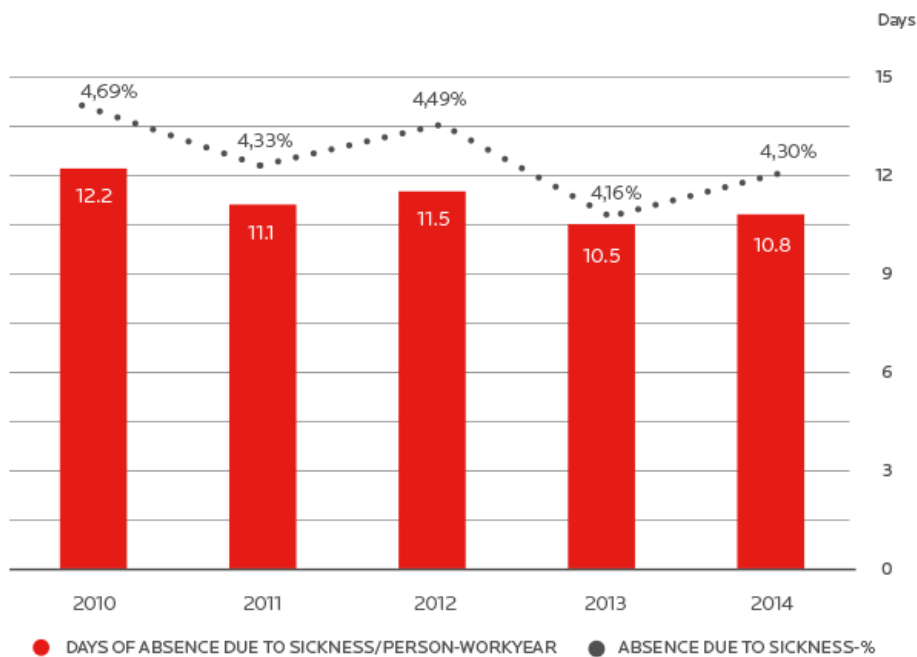
Table 5. Trend in the number of accidents 2010–2014

	2010	2011	2012	2013	2014
Number of accidents	118	105	100	129	121
- of which are commuting accidents	33	22	24	40	28
Number of days of absence due to accidents at work, on average	10	9	9	5	5

Absence due to sickness

The number of absences due to sickness increased slightly compared to 2013, with the related percentage totalling 4.30% (4.16%). The number of sickness absence days per person-workyear was 10.8 (10.5).

Trends in absence due to sickness



Short absences of less than 30 days accounted for the majority of absences due to sickness, while approximately 7% were long, totalling 30 days or more. The occurrence of long absences due to sickness has decreased year-on-year, as has their average duration.

The major individual cause of sickness absence in 2014 was musculoskeletal diseases. Alko has invested years of systematic, consistent efforts in the prevention of such problems. The results are evident in the falling trend in such complaints.

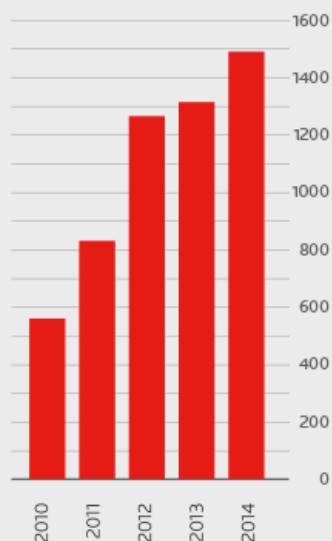
Occupational health discussions between an employee, his or her supervisor and an occupational health care service representative form one of the elements in our early intervention model. Such negotiations are arranged, for instance if the employee's work capacity has decreased, if absence limits are exceeded, and in situations where an excessive workload or the work community are a cause for concern. The purpose of early intervention is to have a preventative effect and maintain the working capacity of all employees.

Special investments in ergonomics include training, the appointment of representatives responsible for ergonomics issues and, as the latest measure, height-adjustable cash desks in all shops to facilitate more ergonomic positions at work.

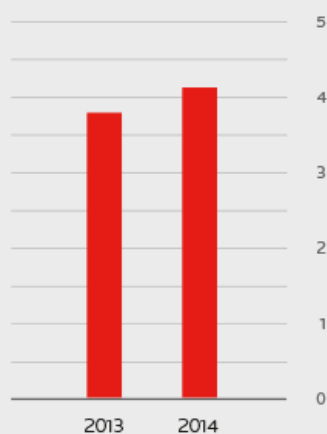


Promotion of wellbeing at work

euros/employee



Well-being index trends at corporate level



SCALE 1-5, 5= THE BEST

Training and development

We engage in long-term diverse efforts to improve the competence of Alko staff.



We engage in long-term diverse efforts to improve the competence of Alko staff. In 2014, each employee received 4.0 (4.0) days of training. No figures are available by gender or employee group. Our aim is to ensure that our shop staff have up-to-date information on our products and to enhance their ability to offer customers the best possible experience when shopping at Alko. Our customers are pleased by our expertise and the confidence it inspires. These also have a positive influence on our work at individual and work community level.

Table 6. Training days and costs 2013–2014 (shop network)

	2013	2014
Number of training days	9,837	9,673
Number of training days per employee	4	4

Full time service and product trainers, and sales staff and shop managers working as part-time trainers, are responsible for competence development and the provision of practical training. Regular service and product training is provided for shop staff on the following themes: 1) monthly training on topical themes and products, 2) basic training for new employees on various beverages, the contexts of their consumption and customer service skills and 3) applied further training.

In addition to our standard training courses, we customise product and service training to meet the needs and specific requirements of our shops. In 2014, our trainers organised training sessions more frequently in shops. This facilitated competence development in accordance with the wishes of our staff and customers, in smaller groups based on a coaching approach.

In addition to service and product training, Alko staff studied for commercial, vocational and specialist vocational qualifications and maintained their safety know-how and skills, while participating in training aimed at supporting the introduction of new communal tools.



The main theme of our competence development is motivation and continuous learning. In addition to training sessions and on-line training, we support and encourage employees to share their expertise with colleagues in shops and via Alko's social media channels, with all of Alko employees in various parts of Finland.

Target and performance reviews

Target and performance reviews are a key element in our management practices, both in terms of performance management and personal development. All employees have a target and performance review twice a year, in order to define their work and competence development targets and to follow up on work performance, individual development and personal well-being at work.

Staff surveys

The staff surveys conducted in 2014 included the Great Place to Work competition's Trust Index survey and a personnel survey tailor-made for Alko. The personnel survey is a tool for analysing the state of the work community, providing themes for team performance reviews and comparing the results of various teams. In the Trust Index survey, there has been marked progress in topics related to management and leadership. The survey identified team spirit among Alko's employees as one of the company's great strengths. The overall level and response rate were high.

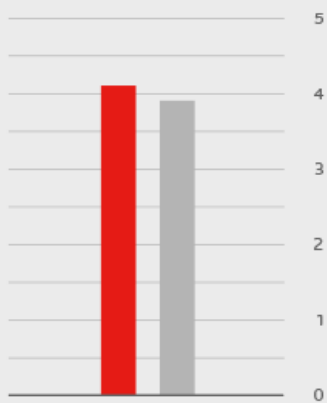
The well-being at work index for teams has improved compared to 2013. A particular improvement was seen in the 'Good atmosphere in the work community' category. Commitment to one's work and loyalty towards the employer are stronger at Alko than in the service sector in general (compared to the service sector).

The personnel survey's contents were updated to correspond to the new strategy. The response rate was very high. The results indicate that Alko's employees consider work community activities and well-being to be special resources at work. Employees show strong commitment to their work and loyalty towards their employer. However, there is room for improvement, particularly in terms of possibilities to influence one's work. In 2014, we implemented a major project in order to renew our tools (software, terminals) and to support employee learning via methods aimed at creating a communal approach. We are confident that this will have an impact on Alko employees' experiences of the functionality of their tools and the fluency of their work.



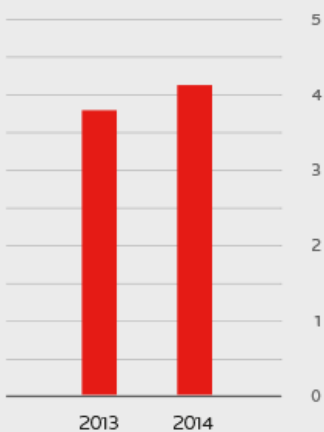
Alko's employee loyalty

in comparison to the service sector
overall 2014



● ALKO
● SERVICE SECTOR
REFERENCE MATERIAL

Well-being index trends at corporate level



SCALE 1-5, 5= THE BEST



Responsible supply chain



Responsible supply chain

Responsibility in procurement

Customers trust in the quality and safety of Alko products

Environmental responsibility



Responsibility in procurement

Our supply chain extends around the world

Alko buys drinks from 66 countries of origin. Our international supply chain comprises 451 suppliers. Alko has no brands or production of its own. We purchase all of the drinks we sell from domestic and foreign suppliers of alcoholic beverages.

Most of our purchases are alcoholic beverages. In 2014, such purchases from the alcoholic beverage industry and wholesale traders amounted to EUR 925.5 million (EUR 931.4 million in 2013). This represents 95% of the value of all our purchases. For this reason, when we kicked off the development of our responsible procurement model in 2008, it made sense to start with our drink procurement supply chain.

Impartiality and non-discrimination

Decisions on product listing, pricing and delisting are made on grounds that are impartial and non-discriminatory. The supplier's nationality and domicile do not factor into these decisions. We also comply with these principles in our responsible procurement model. Alko seeks to be a valued partner with the numbers to prove it. In a goods supplier survey carried out in 2014, Alko's Purchasing and Logistics department earned an overall satisfaction score of 7.93 (on a scale of 4 to 10). The target was a score of more than 8.0.

Terms of responsible procurement

In order to offer and supply products to Alko, the vendor must commit to the Business Social Compliance Initiative (BSCI) Code of Conduct. All Alko drink suppliers have signed a commitment of compliance.

BSCI is an organisation under the Foreign Trade Association (FTA) in Brussels. The mission of BSCI is to promote human and labour rights in global supply chains through its members. Alko has been a BSCI member since 2012. In 2013, BSCI had 1,252 member companies.

Alko's responsible procurement programme is based on UN agreements and initiatives as well as other relevant internationally recognised agreements and guidelines. Our aim is to create operating and follow-up models for alcoholic beverage procurements with a view to influencing the ethical business practices of alcohol suppliers and paying attention to the principles of sustainable development.

The principles of BSCI's Code of Conduct that Alko has committed to as a member company are:



No precarious employment



No bonded labour



The rights of freedom of association and collective bargaining



Fair remuneration



Occupational health and safety



Special protection for young workers



Ethical business behavior



No discrimination



Decent working hours



No child labour



Protection of the environment

Nordic collaboration

Alko works with other Nordic alcohol monopolies to promote ethical procurements. In practice, this cooperation involves two subareas: social and environmental responsibility.

In terms of social responsibility, standardising the operating models for Nordic goods suppliers plays a key role in development efforts. We and our cooperation partners harness our knowledge of the industry, countries of origin and local conditions to carry out risk assessments of human rights impacts and make decisions on targeting follow-up measures at different countries of origin. Preventative measures such as committing and training goods suppliers are also prioritised on the cooperation agenda. In terms of environmental responsibility, we seek to assess the environmental impacts of the alcoholic beverage supply chain and to find practical tools to minimise them. Our cooperation aims to foster a more ethical supply chain, accounting for the needs of different stakeholders.



There has been Nordic cooperation between Alko, Systembolaget, Vinmonopolet, ÁTVR and Rúsdrekkasöla Landsins since 2008 – with the purpose of an even more sustainable global supply chain for the products we sell. The cooperation has been fruitful in establishing a Code of Conduct for suppliers and there is an established system for following up and compliance. By combining our efforts we have a greater chance of influencing the supply chain.

— MAGDALENA GERGER, CEO, SYSTEMBOLAGET

Follow-up measures

Operating in the international supply chain, we humbly accept that we do not have enough knowledge of the prevailing conditions in the countries of origin of all our products.

In 2014, we commissioned 16 audits – that is, inspection visits – in South America, Africa and Europe. The inspection visits were performed by international auditing organisations accredited by BSCI. Representatives of Alko or the product importer participated in many of the visits.



In the wine industry, production is very seasonal and labour-intensive. These factors pose the greatest challenges to respecting human and labour rights. At wine production facilities, the daily and weekly working hours set in law are exceeded. Employees do not always get to take days off or statutory breaks. Other risks include, but are not limited to, neglecting to provide orientation for seasonal employees, deficiencies in protective and safety gear, and shortcomings in cleanliness and order at production facilities. In addition, it is common for seasonal employees not to participate in emergency drills.

No instances of more serious ethical violations – such as use of child labour or prevention of the right of freedom of association – were observed on the inspection visits carried out by Alko. Less severe shortcomings in compliance with the Code of Conduct were noted at almost all of the sites. The problems observed in wine production were similar regardless of the country of origin.

However, we are aware that the most severe violations of human rights are likelier to occur in primary production than at production facilities. For this reason, Alko will from now on step up its audits of primary production.

Preparations for inspection visits and their follow-up measures are made and implemented in cooperation with the [goods supplier](#). We bear our responsibility for ensuring that we sell ethical products. If we become aware of Code of Conduct violations or shortcomings, we take immediate steps to remedy the situation.

We use BSCI's member database for the follow-up of auditing reports. In 2015-2016, we intend to enhance our internal reporting so that it also better serves external reporting needs.

Alko does not have a complaint mechanism for evaluating human rights impacts in the supply chain.

Developing expertise

As the demands of procurement chain management have increased, so have Alko's expertise requirements. During the report year, responsible procurements have been addressed in a variety of ways when liaising with personnel and other stakeholders. In terms of all employees, we provided a total of about 30 minutes of training per person. We arranged 19 hours of training for those responsible for these issues and three hours for each supervisor. In addition to our own personnel, we organised three hours of human rights-related training for our drink suppliers.

Cooperation with stakeholders

At the beginning of 2014, BSCI published a new Code of Conduct. As a member company, Alko has committed itself to this Code. Alko is engaging in closer cooperation with goods suppliers. During the year ahead, our aim is to focus not only on follow-up measures, but also on gathering information on subcontracting chains, identifying human rights risks on a broad scale and implementing preventative measures commensurate with their severity. We and our partners have a lot of work ahead of us. A new form of cooperation is to organise workshops on social responsibility themes for goods suppliers. In the future, we also intend to be more proactive in our cooperation with civic organisations.

The origin of a drink matters

Consumers are increasingly interested in the origins of products. A variety of certification systems have been developed around the world to make it easier for consumers to make ethical choices. These systems indicate a company's commitment to social responsibility.

Alko stocks 41 internationally certified ethical trade products, all of which have international certification. At present, our range includes products with Fair Trade, Fair for Life or For Life certification. A generally accepted auditing system is in place for these products. However, Alko has not commissioned separate audits. Certified ethical trade products can be found in both the wine and brewery product groups. Alko has stocked ethical trade products since 2007.



Responsibly – from start to finish

Responsible supply chain



In the stakeholder survey commissioned in spring 2014, responsibility in procurement was named as one of Alko's most important responsibility themes and future focuses of development.

Alko's responsible operations involve a complex set of perspectives encompassing social, environmental and alcohol policy responsibility as well as the production of value for society.

Our responsible operations are not limited to Finland, as our supply chain covers the entire world. The chain is long and has many stages. Responsibility must be taken into consideration in every stage.

In 2014, we created a description of a responsible value and supply chain with the aim of identifying the direct and indirect impacts of our operations in different stages of the supply chain. We also had to account for the special characteristics of our own field of business. For the description, we selected significant examples that illustrate responsibility in different stages of Alko's supply chain. Through these examples, we described the existing strengths of our operations, and the potential risks and adverse impacts.

Stakeholders' expectations are growing constantly. For this reason, Alko, like many other organisations, is pondering what kinds of operating models are required to prevent or control the identified risks and adverse effects. However, our actual opportunities to exercise an influence in the international supply chain are limited. We must target our available resources to ensure that we make a difference.

When we drafted the description, the importance of both internal and external stakeholder cooperation became increasingly apparent. Alko seeks to be a trusted and valued partner. We also understand more clearly than ever before that it is up to each and every Alko employee to uphold responsibility at every moment.



Customers trust in the quality and safety of Alko products

Alko's Quality Control and the Alcohol Control Laboratory (ACL) are responsible for the safety and quality of our products, in collaboration with our suppliers. Quality Control assesses the quality of beverages based on sensory evaluations and chemical laboratory analyses.



All products offered to Alko undergo sensory evaluation first and, before they are accepted for our standard selection, chemical analyses are performed to test for product safety and legal conformity. We conduct regular checks on the quality of the products in our selection and the legal conformity of their sales packaging. Whenever a product changes in any way (such as a wine vintage), both a sensory evaluation and laboratory tests are performed.

Alko Quality Control and ACL engage in quality collaboration with Nordic alcohol monopolies, in order to learn about best practices and exchange information on issues of significance to product quality.

Fewer complaints about cork taint

In 2014, customers made 14,674 (14,523 in 2013) complaints about products to Alko, approximately 90 per cent of which were related to mild wines. The number of complaints about cork taint, i.e. a corky taste and smell in wine, declined due to the more extensive use of metal screw caps. However, the increasing share of bag-in-box wines in Alko's selection involves new challenges, since beverages do not keep in these containers as effectively as in bottles.

27 product batches (27) were withdrawn from shops and one beverage was withdrawn from both consumers and shops. The most common reasons for product withdrawals were product changes during delivery and harmless deviations in terms of colour and aroma. Alko's product management system enables the monitoring of entries on product deviations, and immediate responses to such deviations.

In 2014, we evaluated 5,615 new alcoholic beverages offered to us and accepted 585 for our product range.

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

The Alcohol Control Laboratory conducts extensive analyses of products in Alko's general selection and new products to be included in it. The standards applied are even more stringent than those defined in official EU regulations. In 2014, the examination of approximately 7,100 (ca 7,300) samples of alcoholic beverages involved a total of around 74,000 (69,000) analyses. The ACL sells analysis services to



other companies and to the authorities.

It also attends meetings of the subdivision for wine and alcohol matters at the Ministry of Agriculture and Forestry and represents Finland at the International Organisation of Vine and Wine (OIV). Active participation in domestic and international workgroups and organisations enables us to establish contacts with other laboratories and to receive up-to-date information on legislative changes related to alcohol analytics.

Analytics targeted and methods refined

Quality control analyses for each product group (e.g. beers or white wines) are selected in order to verify whether the beverage meets the requirements of both the product group specification and the related quality standards. The most common analyses cover alcohol content, basic analyses of wine and sulphur dioxide analyses.

In 2014, Quality Control and the laboratory agreed to conduct more stringent analyses of the following: preservatives in organic wines, other preservatives in wines containing low levels of sulphur dioxide, mycotoxins in beer and ochratoxins in wine.

In addition, we analysed beverages made of stone fruits in order to examine their ethyl carbamate contents. We continued the further development of our laboratory methods. A Master's thesis written for the ACL involved the development of an enzymatic method for histamine determination, resulting in a new procedure for analysing the histamine content of batches of red wine.



Sustained work to mitigate environmental impact

We are committed to the continuous improvement of our operations and the development of our environmental efforts.



The production, transportation, and packaging of the products sold by Alko and the operations of its stores result in a variety of environmental impacts. A significant share of these impacts arises in different stages of the product supply chain.

We are committed to the continuous improvement of our operations and the development of our environmental efforts. Alko's management of environmental issues is based on the Finnish Decree on the Operation of the Alcohol Company (243/2000), as well as Alko's strategy and environmental policy. Practical actions related to the environment are guided by the objectives and responsibilities specified in the ISO 14001 environmental management system. We report environmental impacts on Alko's website, as well as yearly in Alko's annual report and corporate social responsibility report.

Through the environmental management system we are able to identify and reduce harmful environmental impacts and reduce their related costs. Since the beginning of 2011, all of our retail outlets have followed the principles specified in the international ISO 14001 environmental management system. Our system was certified in autumn 2013 and Alko was granted ISO 14001 environmental certification in January 2014. Alko joined the Baltic Sea Action Group's Living Baltic Sea project with its commitment to collect used bag-in-box fluid containment bags.

Taking into account the environmental impact of the supply chain

Information on the environmental effects throughout the life-cycle of alcoholic beverages is not complete at this stage. The carbon footprint study by the Swedish alcohol monopoly, Systembolaget, shows that the company's largest environmental impacts come from packaging, agriculture, and from producing and transporting the products.

Environmental issues are part of the joint [Nordic responsible procurement model](#). The aim of cooperation is to reduce and prevent the environmental effects of the supply chain for alcoholic beverages. In 2014, we took steps such as assessing our value and supply chain from environmental perspectives. We will continue this work with a study in 2015.

Practical environmental work in stores

Our employees are strongly involved in enhancing Alko's environmental compliance. Jointly agreed objectives are thus also achieved in practice.



We maintain the environmental expertise of our store staff with training and by providing orientation to new Alko employees. The environmental officers of the stores ensure that the whole store team goes easy on the environment. These officers also participate in internal and external environmental audits that are carried out annually at the stores.

Our Green Ambassador promotes environmental values on a broader scale at Alko. He encourages employees to think about the environmental impacts of their activities and to use tried-and-true practices at all stores. The Green Ambassador publishes recycling tips in Alko's internal Yammer group and organises environmental competitions.

Internal environmental audits are carried out as part of the internal audit for the stores and all the stores are checked every two years. The internal environmental audits are a form of self-evaluation. The audit seeks to determine as accurately as possible how the store's environmental practices meet the set criteria for the environmental policy and objectives. The audit is carried out using an environmental auditing form and the results are saved in an auditing database. The audits were started in February 2012 and during the year in 2014, 175 outlets were inspected.



Our Green Ambassador promotes environmental values on a broader scale at Alko.



Efficient recycling of empty beverage containers

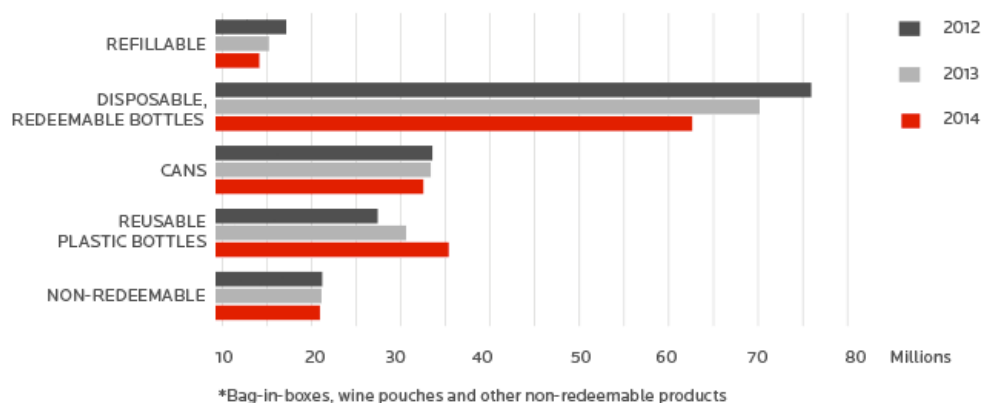
In 2014, we sold over 142.5 million alcoholic beverage containers of various kinds:

- 63.7 million single-use deposit glass bottles
- 5.9 million refillable glass bottles
- 27.8 million cans
- 31.2 million recyclable plastic bottles with a redeemable deposit
- 6.4 million bag-in-boxes
- 3.0 million paperboard containers
- 4.6 million single-use non-deposit glass and plastic bottles

We recycle empty beverage containers in collaboration with other retail chains. At the end of 2014, most of our 310 recycling machines were located at supermarkets or shopping centres. These were joint machines to which customers can return all deposit glass and plastic bottles and cans. In addition, 43 machines were located in Alko shops. We recommend that non-deposit glass bottles be returned to municipal glass recycling points.

Alko is one of the owners of Suomen Palautuspakkaus Oy [PALPA](#) and a member of the Finnish association for promoting the recycling of glass, Suomen Keräysläsiyhdistys ry. For several years, PALPA has been responsible for recycling systems for deposit cans and plastic bottles. Since spring 2012, it has run the recycling system for single use glass bottles.

Packages sold in Alko



In 2014, we sold over 142.5 million alcoholic beverage containers of various kinds.



Transport



Combined transports reduce emissions

Alko does not maintain a transport fleet of its own, but outsources the shop-bound transportation of products to external transport companies. We manage transports in close cooperation with our suppliers by combining as many different deliveries from different stocks as possible in each shop delivery. This is done at transport company terminals. Such an arrangement reduces both transport costs and emissions.

We monitor the CO² emissions of our transportation. In 2014, the CO² emissions for our import transportation amounted to 547 (666) tonnes and the figure for domestic delivery transportation was 111.2 (116) tonnes. These figures include products delivered to shops via Alko's central warehouse, but not return transport. The decreasing volume of products passing through Alko's central warehouse explains the reduction in emissions.

Environmental aspects are a key issue when choosing transport partners. The two largest companies transporting Alko's products in Finland have ISO 14001 environmental certification. Products purchased abroad through Alko's import service were regularly transported by five companies, of which four had the ISO 14001 environmental certificate. Alko central warehouse services are operated by the ISO 14001-certified Vantaa logistics centre, run by Itella Logistics.

Electricity, heating and waste



Sustained efforts to lower energy consumption and reduce the amount of waste

Alko has 351 shops (31 December 2014), 22 of which operate on their own premises, which means that the majority of shops, regional offices and the head office operate from leased facilities. The average area of each shop is around 302 square metres (311 in 2013). We prefer to locate Alko shops in shopping centres which place a special emphasis on opportunities for diverse waste sorting, environmentally friendly heating systems and energy recovery.

The direct environmental impacts of shop premises include heat, electricity and water consumption. Heating, water and waste management are mainly included in the rent for the operating premises. However, this means that accurate consumption data is not fully available.

New LED lighting solutions help to reduce energy consumption

The estimated power consumption of Alko shops, regional offices and the head office totalled around 14 GWh in 2014 (14.6 GWh in 2013). Because precise consumption figures are not available for all premises, the total sum is partly based on estimates. According to Alko's energy report, the specific electric power consumption of shops is approximately 140 kWh/m² and shop lighting accounts for the majority, 94%, of total electricity consumption, while e.g. POS systems and refrigeration equipment are responsible for the rest. Measures to reduce electricity consumption include increasing the number of motion detectors in back office premises and replacing spot lamps with LED lights. All advertising signs in shops utilise LED technology and, when each shop is renovated, its old spot lights are replaced with new, energy-efficient LED lights. We continuously monitor the development of LED technology and its possible use in shop lighting solutions.

In 2014, we upgraded all of our POS systems and workstations. It is estimated that the new POS systems consume 30% less electricity than the former ones.

We purchase electricity produced from renewable energy sources including hydro, wind and bioenergy. This energy is produced in Finland and other Nordic countries and has been granted the Guarantee of Origin ecolabel for energy.

In 2015, we will develop an electricity consumption monitoring system in order to obtain more specific power consumption data from our shops. We can save energy through more efficient monitoring and by implementing the ideas for improvement listed in our energy



report.

Most Alko shops use district heating. Detailed information on heating energy consumption figures is unavailable at present. Where possible, we prefer our properties to use renewable energy sources for their heating systems and refrigeration equipment, e.g. by using cold condensate heat released from cooling equipment and air heat recovery in the underfloor heating of premises.

Our shops follow standardised waste guidelines

In addition to their in-house waste sorting guidelines, Alko's head office, shops and regional offices follow municipal guidelines and regulations. All offices have guidelines for sorting waste, saving energy and acquiring environmentally friendly office products. Specific environmental guidelines apply to the handling of hazardous waste, and Alko's Alcohol Control Laboratory (ACL) sends all harmful chemicals to Ekokem Oy.

With the exception of hazardous waste, waste disposal is mainly included in the shops' rental contracts. Shops sort and recycle the bio, metal, glass, energy and paper waste they generate using the waste management system of the premises in question. In 2014, we recycled approximately 370 tonnes of cardboard waste and over 28 tonnes of pallet plastics. We utilise pallets, baskets and other reusable transport equipment in the transport of alcoholic beverages and other products sold at Alko. Most of these are deposit products and nearly all are recycled. [linkki myös juomapakkausten kierrätykseen](#). All wastewater generated by our operations is fed into the municipal sewer network.

Shop furniture recycling creates savings over time

Durable, recyclable and reusable furniture materials are selected for shops and office premises. The renovation of shops and furnishing are handled centrally. Our goal is to allow as much surplus furniture as possible to be re-used, either on our own locations or in locations outside the company. In 2014, we were able to re-use an average of 20% of our shops' wall shelf panels and wall frames (more than 60% in 2013), and 18% (more than 50%) of standing floor shelves. The recycling rate was lower than in the previous year because fewer shops were renovated in 2014. Stores can advertise surplus, usable furniture and equipment on Alko's internal exchange. The exchange includes items such as shopping carts and poster frames that are looking for a new home. Located on the company intranet, this exchange makes the re-circulation of items much easier. If furnishings and equipment that are in poor repair or no longer needed cannot be recycled via the property's recycling system, they are returned to Alko's central warehouse. There, the waste is sorted into three main categories: metal, construction and WEEE and sent to Kuusakoski Oy for further processing.



Management



Management

[Alko Inc.'s corporate governance](#)

[Annual General Meeting and Supervisory Board](#)

[Board of Directors](#)

[CEO and management board](#)

[Benefits, bonuses and remuneration](#)

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

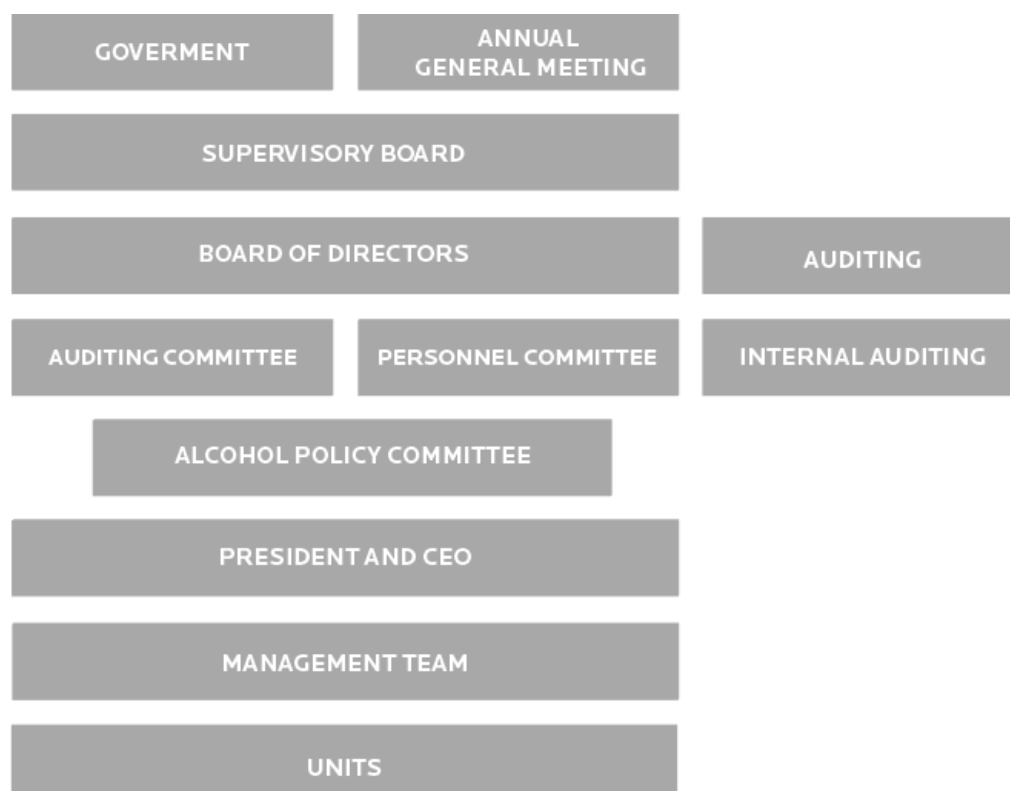


Alko Inc.'s corporate governance

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

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

Since requirements in line with the GRI G4 are not included in Alko's Rules on Corporate Governance adopted on 2 June 2014, we have prepared a separate [report](#) on these issues. Some of the aspects specified in the GRI G4 guideline are included in our corporate social responsibility report on each aspect (e.g. social responsibility issues), while others are given in a GRI index list.





Annual General Meeting and Supervisory Board

Annual General Meeting

Alko Inc.'s Annual General Meeting must take place once a year before the end of June. The Ministry of Social Affairs and Health appoints a representative to the Annual General Meeting.

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

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

Supervisory Board

Alko's Supervisory Board consists of twelve members, which the Government appoints for four calendar years at a time. The Government also appoints the Chairman and the Vice Chairman. The work of the Supervisory Board is carried out according to the principles in the Supervisory Board's approved rules of procedure.

The tasks of the Supervisory Board can be found in the [Corporate Governance](#).

The Supervisory Board for 2012–2015 consists of Sari Sarkomaa (Chairman) and Eila Tiainen (Vice Chairman) and, as members, Timo Heinonen until 7 March 2013, Anne Holmlund, Reijo Hongisto, Arja Juvonen, Saara Karhu, Pauli Kiuru since 7 March 2013, Mats Nylund, Heli Paasio, Leena Rauhala, Markku Rossi and Simo Rundgren. Director Kari Paaso represents the Ministry of Social Affairs and Health. Representation of the Ministry of Social Affairs and Health on the Supervisory Board is decreed by Section 38 of the Alcohol Act.

The Supervisory Board meets approximately five times a year.

Board of Directors



From left, uprow Kirsi Varhila, Harri Sailas, Marko Säkkinen (personnel representative), Kuisma Niemelä and Riina Väntsi (personnel representative)

From left, Sari Aalto-Matturi, Jarmo Väisänen, Leila Kostainen and Harri Vainio.

Harri Sailas

b. 1951

Chairman of the board

Master of Economics and
Business Administration

Member of the Board since
2014

Kirsi Varhila

b. 1961

Vice Chairman

Master of Political Science
Director General, Ministry of
Social Affairs and Health

Member of the Board since
2014

Sari Aalto-Matturi

b. 1966

Member of the Board

Licentiate in Political
Science

Executive Director

Ehkäisevä päihdetyö

EHYT ry

Member of the Board since
2012

Leila Kostainen

b. 1950



Member of the Board
Master of Laws
Secretary General of The
Finnish
Confederation of
Professionals STTK
Member of the Board since
2012

Kuisma Niemelä
b. 1958
Member of the Board
Master of Philosophy
Member of the Board since
2014

Harri Vainio
b. 1947
Member of the Board, Doctor of Medicine and Surgery
Director General, Finnish
Institute of Occupational
Health
Member of the Board since
2013

Jarmo Väisänen
b. 1951
Member of the Board, Licentiate in Political Science
Senior Financial Counsellor,
Prime Minister's Office
Member of the Board since
2014

Personnel representatives
Riina Väntsi
b. 1973
Chairman of Alkoholilalan toimihenkilöt ry and
Marko Säkkinen
b. 1974
Chairman of Alkoholikaupan Ammattiliitto ALV ry

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

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

The tasks of the Board of Directors can be found in the [Corporate Governance](#).

On Spring 2014 the Annual General Meeting elected Soili Suonoja as Chairman to Alko's Board of Directors and Harri Vainio as Vice Chairman. Sari Aalto-Matturi, Leila Kostainen, Kuisma Niemelä, Kirsi Varhila ja Jarmo Väisänen were elected as members of the Board. Personnel representatives Riina Väntsi and Marko Säkkinen will attend the meetings of the Board of Directors without the right to vote. More detailed information regarding the members of the Board is appended to this report

Chairman Soili Suonoja was Chairman of the Board of Directors until 28 October 2014. Harri Vainio was acting Chairman of the Board from 28 October 2014 to 19 December 2014. In accordance with the decision of the Minister of Health and Social Services, and pursuant to Chapter 5(1)(2) of the Companies Act (624/2006), Harri Sailas was appointed Chairman of Alko Inc and Kirsi Varhila Vice Chairman as



from 19 December 2014.

The Board meets approximately ten times a year. The Board evaluates the effectiveness of its activities annually, as well as its procedures and success in accomplishing its task.

The Board members are independent of the company. Board member Arto Honkaniemi works for the Ownership Steering Department of the Prime Minister's Office.

Participating in Board meetings are President and CEO Hille Korhonen, Executive Vice President (Finance) Anton Westermarck and Executive Vice President (Communication and Social Responsibility) Maritta Iso-Aho as Secretary to the Board.



Committees of the Board of Directors

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

Auditing Committee

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

The Auditing Committee's tasks are as follows:

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

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

The Auditing Committee consists of Chairman Leila Kostainen, members Kuisma Niemelä, Harri Sailas, Harri Vainio and Jarmo Väisänen. Presiding officers Hille Korhonen and Anton Westermarck and Auditing Director Heli Riivari as Secretary.

Personnel Committee

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

The company's President & CEO acts as the Presiding Officer and the director responsible for personnel acts as the Secretary of the Committee. The Personnel Committee meets approximately six times a year.

The Personnel Committee consists of Chairman Harri Vainio, members Leila Kostainen, Kuisma Niemelä and Harri Sailas. Presiding Officer Hille Korhonen and Secretary Tytti Bergman.

The Alcohol Policy Committee

The task of the Alcohol Policy Committee is to assist and support the company's Board of Directors in an advisory role in order to achieve social and health policy objectives in accordance with the Alcohol Act and related legislation. The committee consists of one member from the Board of Directors, two representatives from the Ministry of Social Affairs and Health and one representative from the company. The director responsible for corporate relations acts as the secretary for the working group. The Alcohol Policy Committee meets approximately five times a year.

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



GRI G4 report supplements Alko's Rules on Corporate Governance

Alko's Rules on Corporate Governance are updated annually after the Annual General Meeting and adopted by the Board of Directors, usually at its June meeting. The Rules on Corporate Governance for 2014 were adopted on 2 June 2014 and updated with changes to personnel several times during the year.

Since requirements in line with the GRI G4 are not included in Alko's Rules on Corporate Governance adopted on 2 June 2014, we have prepared a separate report on these issues. Some of the aspects specified in the GRI G4 guideline are included in our corporate social responsibility report on each aspect (e.g. social responsibility issues), while others are given in a GRI index list.

Corporate responsibility issues among the Board of Directors

In 2014, the following issues, among others, have been considered and approved at meetings of the Board of Directors:

- One of the key strategic focus areas will be [becoming the most responsible service company in Finland](#).
- The main aspects of responsibility projects for the succeeding year are presented at executive level at least.
- Key HR issues
- The company's alcohol policy projects and monitoring thereof
- Responsible supply chain with policy definitions
- Contents and principles of the Corporate Social Responsibility Report
- Tax reporting.

Dialogue between stakeholders and the Board of Directors on corporate responsibility issues

The tasks of the company's Supervisory Board emphasise the prevention of the harmful effects of alcohol consumption from the perspective of alcohol legislation.

The results of the extensive stakeholder survey conducted by Alko in 2014 were presented to the Board of Directors as part of the 2015–2017 strategic process.

Election and composition of the Board of Directors

- The Ministry of Social Affairs and Health is responsible for the ownership steering of Alko Inc. The Minister of Health and Social Services represents the entire share capital of the company at the Annual General Meeting at which the Board of Directors and its Chairman are elected on an annual basis. The company's special position as a monopoly, its duties related to alcohol policy and the importance of corporate social responsibility issues are taken into account in the composition of the Board of Directors.
- Members of the Board are knowledgeable in various sectors of responsibility due to their duties and/or experience
- and are independent of the company. A Board member's term of office lasts from his/her election until the end of the following Annual General Meeting.
- In the current Board of Directors, Kirsi Varhila is employed by the Ministry of Social Affairs and Health and Jarmo Väisänen by the Ownership Steering Department of the Prime Minister's Office.
- Two employees' representatives participate in Board of Directors' meetings.

The Board of Directors' role in defining the purpose, values and strategy of the organisation and competence in processing responsibility issues

- Alko Inc's management prepares the corporate strategy, action plan, policies and objectives for financial, social and environmental responsibility, which are updated on an annual basis. Board of Directors Committees relevant to each topic discuss proposals that are introduced to the Board of Directors for approval. Policies regarding the company's internal guidelines and Corporate Governance are considered and updated by the Board of Directors on an annual basis.

Strategic steering groups on responsibility:



- The most responsible service company in Finland (corporate social responsibility, excl. human resources and finance), chaired by the Executive Vice President, Communications and Sustainability
- The best workplace in Finland (HR responsibility), chaired by the Executive Vice President, Human Resources
- Efficient chain of chain of specialty stores (financial responsibility), chaired by the Executive Vice President, Finance
- The responsibility team of the Communications and Sustainability unit is responsible for responsibility measures and the development of their content.
- The Board of Directors discusses responsibility measures and their results on a regular basis in meetings and implements a self-assessment each year in accordance with its schedule. One of the questions considered examines whether the company's responsibility measures are clear to the Board of Directors. No self-assessment was conducted in 2014.

Communication of corporate social responsibility deficiencies to the Board of Directors

The results of the responsible procurement audit, deficiencies identified in audits, and measures taken to address such deficiencies, were reported to the Board of Directors in 2014. The Board of Directors requested the preparation of more detailed instructions on the measures to be taken in various situations, including cases in which a supplier declines to take part in an audit or where severe deficiencies are identified in a supplier's operations, or other instances where violations of ethical principles are identified in the supplier's operations.

Alko Board of Directors was informed of a case in which a standard quality control inspection by the ACL in week 43 revealed that Fireball liquor contained propylene glycol in excess of the limit values specified by the EU. Alko withdrew the product from its shops on Monday 27 October. As a consequence, practices will be specified for application in similar cases, in collaboration with other Nordic alcohol monopolies.

New aspects to be reported on the links between remuneration and sustainable development performance

Members of the Board of Directors receive monthly fees and meeting fees in line with a decision taken by the Annual General Meeting.

At most, the fees paid to the Management Team account for 15% of their annual earnings. The objectives of all Management Team members are the same:

The best customer experience in Finland Overall grade (National customer service feedback survey) and ranking among service companies (National customer service feedback survey) – weighting 25%

The most responsible service company in Finland: ResponsibilityTRI*M (Reputation and responsibility), ranking in the retail, service and finance category (Reputation and responsibility) – weighting 25%.

The best workplace in Finland: Trust Index (Great Place to Work), ranking in the large companies' category (Great Place to Work) – weighting 25%

An efficient chain of specialty stores: Cost/net sales (%) (compared with the goal) – 25%

Relevance of corporate social responsibility to remuneration

- The indicators used for the incentive system for 2014 are based on the objectives of Alko's strategic focus areas: customers, responsibility, staff and operational efficiency.
- Responsibility is an incentive indicator for all staff groups. A responsibility indicator is chosen to match the tasks of each employee group:
 - regional managers, regional coordinators, shop managers, sales staff: alcohol policy responsibility: targets for supervision of age limits and intoxication
 - regional managers, regional coordinators, shop managers, sales staff: alcohol policy responsibility: mystery survey on responsibility
 - managers, experts and employees at the head office: reputation and responsibility survey, responsibility TRI*M index).

The incentive system is devised in-house, not with the help of external incentive consultants.



Stakeholder inclusion in decisions on remuneration schemes

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



CEO and management board



From left: Anton Westermarck, Mika-Pekka Miettinen, Maritta Iso-Aho, Minna Alitalo, Hille Korhonen, Tytti Bergman and Kari Pennanen

Hille Korhonen

b. 1961

Licentiate in Technology

President and CEO

In service to the company since 2013

Minna Alitalo

b. 1962

Master of Economics and Business Administration

Executive Vice President, Purchases

In service to the company since 2009

Tytti Bergman

b. 1969

Master of Economics and Business Administration

Executive Vice President, Personnel

In service to the company since 2013

Maritta Iso-Aho

b. 1964

Master of Administrative Sciences eMBA

Executive Vice President, Communication and Social Responsibility

In service to the company since 2008

Mika-Pekka Miettinen

b. 1964

Master of Economics and Business Administration

Executive Vice President, Marketing

In service to the company since 1999

Kari Pennanen

b. 1964



Master of Social Sciences, eMBA
Executive Vice President, Customer Services
In service to the company since 1989

Anton Westermarck
b. 1968
Master of Economics and Business Administration
Executive Vice President, Finance
In service to the company since 2014

President and CEO

The task of the President & CEO is to manage the company's business operations in accordance with the law, the Articles of Association and the instructions issued by the Board of Directors. He or she also ensures that decisions taken at the Annual General Meeting and by Supervisory Board and Board of Directors are carried out. The President & CEO has two deputies.

The retirement benefits of President and CEO Hille Korhonen are determined in line with the Employees Pensions Act (TyEL). The notice of termination period to be observed in the President and CEO's employment is six months, and, in addition to the salary for the notice of the termination period, she must be paid dismissal compensation corresponding to six month's salary if the termination of employment is through no fault of her own.

Management Team

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

Alko's Management Team assists the President & CEO in leading the company and in implementing its strategic and operational objectives. The Management Team handles the company's strategy and its action plan and budget, as well as other matters to be presented to the Board of Directors. The task of the Management Team is to monitor financial performance, business operations and the implementation of operational decisions.

The company's Management Team consists of President & CEO Hille Korhonen, 1st Deputy CEO, Executive Vice President (Communication and Social Responsibility) Maritta Iso-Aho, 2nd Deputy CEO, Executive Vice President (Customer Services) Kari Pennanen, Executive Vice President, (Purchases) Minna Alitalo, Executive Vice President (Personnel) Tytti Bergman, Executive Vice President (Marketing) Mika-Pekka Miettinen and Executive Vice President (Finances) Anton Westermarck as of 1 April 2014.

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

All the members of the company's Management Team and other key persons have fully declared their commitments. Based on the statements received, all of the Management Team's representatives and the key people appointed are found to be independent of any interest groups.

Benefits, bonuses and remuneration



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

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

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

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

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

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

The Management Team's incentive scheme is based on strategic targets and on indicators describing their attainment, as well as on personal strategic development targets. The 2013 incentive bonus is set at most to 15% of the annual salary.

The purpose of the incentive scheme for the personnel is to encourage Alko employees to achieve the strategic goals of the company. The starting point for the incentive scheme is group-specific rewards. The 2013 incentive bonus is, depending on the job concerned, limited to 6 - 12% of the annual salary.



Salaries and remuneration

According to the decisions made at the Annual General Meetings of 23 April 2013 and 27 May 2014, fees for meeting attendance will be paid to Supervisory Board members present at Supervisory Board meetings as follows:

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

In 2014, the Supervisory Board convened five times and its members were in attendance as follows:

Member of the Supervisory Board	Participation in meetings, %	Fees, EUR
Sari Sarkomaa, Chairman	100	5,000
Eila Tiainen, Vice Chairman	100	4,000
Anne Holmlund	80	2,800
Reijo Hongisto	80	2,800
Arja Juvonen	100	3,500
Saara Karhu	100	3,500
Pauli Kiuru	100	3,500
Mats Nylund	100	3,500
Heli Paasio	80	2,800
Leena Rauhala	60	2,100
Markku Rossi	100	3,500
Simo Rundgren	100	3,500
In total	92	40,500

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

The Annual General Meetings decided on the following fees for the Board of Directors in 2014:

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

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

Member of the Board *)	Participation in Board meetings, %	Monthly fees, EUR	Board meeting fees, EUR	Committee meeting fees, EUR	Fees in total, EUR
Soili Suonoja, Chairman until 28 October	100	27,500	4,800	6,600	38,900
Harri Vainio, Vice Chairman until 28 October, Chairman 28 October – 19 December	80	18,500	4,800	8,400	31,700



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Sari Aalto-Matturi, member	100	13,200	6,000	4,200	23,400
Arto Honkaniemi, member until 27 May	100	5,500	2,400	2,400	10,300
Taru Keronen, member until 1 March	100	2,200	1,200	1,800	5,200
Leila Kostainen, member	100	13,200	6,000	7,800	27,000
Kuisma Niemelä, member from 11 June	100	7,700	3,000	4,200	14,900
Matti Pörhö, member until 27 May	75	5,500	1,800	3,000	10,300
Kirsi Varhila, member from 27 May, Vice Chairman from 19 December	83	7,700	3,000	1,200	11,900
Jarmo Väisänen, member from 27 May	100	7,700	3,600	1,800	13,100
In total	94	108,700	36,600	41,400	186,700

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*) Pursuant to Chapter 5(1)(2) of the Companies Act, Susanna Huovinen, Minister of Health and Social Services, appointed Kuisma Niemelä as a member of Alko Inc's Board of Directors on 11 June 2014. The minister also appointed Harri Sailas, President and CEO, as Chairman of the Board and Kirsi Varhila as Vice Chairman of the Board on 19 December 2014.

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

Board members participated in all meetings of committees appointed by the Board.

Management team and staff incentive system

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

The staff incentive scheme is intended to encourage Alko employees to achieve the strategic objectives (in terms of customers, responsibility, staff and operational efficiency). The incentive system is based on rewarding staff on a team basis. In 2014, incentive pay amounted to a maximum of 6 to 12 per cent of the annual salary, depending on the recipient's job description.

The management team's incentive system is based on objectives chosen from the company strategy (customers, responsibility, staff and operational efficiency) and indicators for monitoring their realisation. In 2014, the incentive pay amounted to a maximum of 15 per cent of the annual salary.

Remuneration for the President and CEO and the Management Team

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

Total salary, EUR (**salary in money**)

Short-term incentive, paid annually, EUR

Benefits in kind

Total, EUR (**salary in money + incentive + benefits in kind**)



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	2014	2013	2014	2013	2014	2013	2014	2013
President and CEO	380,195	366 131*)	42,531	0	20,419	19,336	443,145	385,467
Other members of the Management Team	1,012,994	1,097,343	85,205	177,199	49,277	65,850	1,147,476	1,340,392
In total	1,393,189	1,463,474	127,736	236,559	69,696	85,186	1,590,621	1,785,219

*) Since the President and CEO's employment began on 1 January 2013, the total salary for the year includes no holiday pay.

	Retirement age	Pension benefits	Period of notice	Severance pay in addition to pay for the period of notice
President and CEO	63 years.	Pension in line with earnings-related pension scheme legislation	By the President and CEO 6 months, and by the company 6 months 6 months	6 months' salary
Other members of the Management Team	One member 61 years.	66% of annual wages serving as the basis for the calculation of pension	By Management Team Member 3 months and by the company 4-6 months	-
	Three members	TyEL insurance and additional pension based on 10% of annual salary		
	Retirement age in line with the earnings-related pension scheme legislation (TyEL)	Pension in line with the earnings-related pension scheme legislation (TyEL)		
	Two members			
	Retirement age in line with the earnings-related pension scheme legislation (TyEL)			



Annual payments of additional pensions

	2014, euros	2013, euros
President and CEO	In line with the earnings-related pension scheme legislation (TyEL)	
Other members of the Management Team	120,971*	129,933
In total	120,971*	129,933

*including pensions paid to the Management Team member who retired in 2014



Internal supervision, risk management and internal auditing

The Ministry of Social Affairs and Health supervises compliance with the Alcohol Act and the rules and regulations issued under it. The National Supervisory Authority for Welfare and Health, Valvira, reports annually to the European Commission on how fully Alko Inc., as the holder of the sole right to sales of alcoholic beverages in Finland, has observed the required impartiality and transparency in its relations with suppliers. The report also takes account of a statement made by the Finnish Competition Authority. The National Supervisory Authority for Welfare and Health, Valvira, monitors Alko's retail sales. Any Alko decision concerning the retail of alcoholic beverages can be appealed to Valvira and further to the Supreme Administrative Court.

The Management Team is responsible for the internal supervision of Alko. The purpose of the internal supervision system is to ensure that the operations serve their purpose and are efficient, that economic and operative reporting is reliable, and that the regulations and operating principles are being complied with. The most important aspects of internal supervision include: governance and the organisation culture and reporting and internal communications, in addition to monitoring and supervision.

Alko's financial reporting and related supervision consists of three components, namely: 1) the effective and high-quality recording and processing of transactions, 2) financial reporting regulatory compliance, and 3) financial reporting to support business operations and decision-making. The company's reporting is based on the Finnish Accounting Standards (FAS), as well as on internal reporting related to accounting guidelines and financial rules. The Finance Unit is responsible for the financial reporting process and the development of its supervision practices, as well as for ensuring that financial reporting-related laws and regulations are complied with. The Executive Vice President Finance reports the company's financial results and forecasts at meetings of the Auditing Committee and the Board of Directors.

Alko's values and its business method principles and impartiality guidelines, as well as its instructions on listing alcoholic beverages in its product range and on retail sales, form the basis of the company's management and cooperation with key interest groups.

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

The company's internal auditing, in accordance with the operating principles approved by the Board of Directors, evaluates the adequacy and efficiency of Alko's supervision, as well as its risk management, the quality of its operations and its management process. Internal auditing is an independent function that administratively falls under the authority of the 1st Deputy to the President & CEO and reports to the Board of Directors.

Auditing

The company has one auditor, which must be a firm of independent 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 2011, the Annual General Meeting elected the Authorised Accounting Firm KPMG Oy Ab as the company's auditor, with Authorised Public Accountant Lasse Holopainen as the auditor with the main responsibility.



Financial statement

Financial statement

Report of the board of directors 2014

Statement by the Supervisory Board

Consolidated Financial Statement



Report of the board of directors 2014

Alko's customer volume decreased due to low consumer confidence in the development of the economy, the alcohol tax hike that came into effect as from the beginning of 2014, and the continuing high level of private imports by travellers. Alko's sales by volume declined, but net sales rose, and the result was better than expected.

Alko's strategic objectives are to be Finland's best workplace and service company in terms of both responsible operations and customer experience, and an efficient chain of specialty stores. In 2014 and 2015, we were rated as the best workplace in Finland in the Great Place to Work survey (large companies' category). With respect to our other objectives, we are also demonstrably on the right track.

Alko's shop concept was renewed. We want to answer customer's needs and take notice of the impact of the store location on competition in the daily consumer goods trade by developing various business locations, shop concepts, and stores of different size.

Key figures

	2014	2013	2012
Net sales, EUR million	1,179.8	1,175.0	1,207.2
Net sales without alcohol tax, EUR million	575.7	583.8	590.7
Operating profit, EUR million	50.5	49.4	57.3
Extraordinary items, EUR million			0.3
Income tax on ordinary operations, EUR million	-10.5	-12.4	-14.2
Income tax on extraordinary operating items, EUR million			-0.1
Profit for financial year, EUR million	40.8	38.2	44.4
Income from ordinary operations, EUR million	40.8	38.2	44.0
Return on equity, %	53.8	53.0	54.0
Equity ratio, %	30.5	27.9	30.7
Balance sheet total, EUR million	253.7	266.6	261.9
Gross investments in fixed assets, EUR million	6.0	6.9	7.1
Average number of personnel during the financial year	2,527	2,610	2,657

Alko's net sales with alcohol tax amounted to EUR 1,179.8 (1,175.0) million. Net sales excluding alcohol tax were EUR 575.7 (583.8) million. Net sales with alcohol tax improved due to the alcohol tax hike that came into effect at the beginning of 2014. Net sales excluding alcohol tax were down due to a 2.6 per cent decline in sales by volume.

Operating profit came to EUR 50.5 (49.4) million, representing 4.3 (4.2) per cent of net sales including alcohol tax. Fixed costs amounted to EUR 152.9 (152.8) million.

Financial income was down EUR 0.8 (1.1) million. Profit for the financial year amounted to EUR 40.8 (38.2) million. The result was better than expected.

The balance sheet total amounted to EUR 253.7 (266.6) million. The total was down EUR 12.9 million on the previous year, because both the value of inventories and amount of purchases were lower. Current receivables were lower than in the previous year due to a decrease in tax assets.



The equity ratio was 30.5 (27.9) per cent. The equity ratio increased thanks to the year-on-year improvement in the result and the lower balance sheet total.

The company's total investments amounted to EUR 6.0 (6.9) million. Investments focused mainly on revamping the stores and development projects.

Taxation and prices

On 1 January 2014, the excise tax on alcoholic beverages was increased by seven per cent on average. The tax burden rose equally across beverage categories in terms of pure alcohol. The tax on spirits was increased by about 5.3 per cent, mild wines by 8.6 per cent and beer by 8.3 per cent.

Alko's retail prices rose by 3.5 per cent during the report year. Prices were adjusted in January, May and October.

Sales trend

According to an estimate, total sales of alcoholic beverages, converted to 100 per cent alcohol, amounted to 39.6 (41.4) million litres. Alcohol sales declined both at Alko and in licensed sales at restaurants. At other retail sales locations, sales of alcoholic beverages increased slightly. Alko's share of alcohol sold in Finland stayed as 40.6 (40.6) per cent.

According to a survey conducted by TNS Gallup, travellers returning from abroad imported five per cent less alcohol than in 2013. The National Institute for Health and Welfare will publish alcohol consumption statistics on its Internet site (www.thl.fi) in April 2015.

Total sales of Alko stores by volume fell to 96.7 (99.2) million litres, a year-on-year decrease of 2.6 per cent.

The sales volume of spirits decreased by 4.8 per cent, mild wines by 0.9 per cent and brewery products by 4.4 per cent.

Product group	Sales for 2014, millions of litres	Sales for 2013, millions of litres	Year-on-year change, millions of litres	Year-on-year change, per cent
Vodkas and spirits	14.6	15.1	-0.5	-3.5
Other strong alcoholic beverages	7.8	8.4	-0.5	-6.4
Fortified wines	3.3	3.5	-0.2	-6.7
Red wines	25.7	26.4	-0.7	-2.6
White wines	21.7	21.7	0.0	0.2
Sparkling wines	4.9	4.8	0.2	3.3
Rosé wines	0.8	0.8	0.0	4.6
Other wines	2.0	2.1	0.0	-1.7
Ciders	0.8	0.9	-0.1	-11.2
Long drinks	6.1	6.5	-0.4	-5.4
Beers	8.8	9.1	-0.3	-3.2
Non-alcoholic drinks	0.2	0.2	0.0	3.3
Total	96.7	99.2	-2.5	-2.6
Total, as 100% alcohol	16.3	16.8	-0.5	-3.2



Responsibility for alcohol policy

Responsibility for alcohol policy refers to actions taken to prevent the adverse effects of alcohol. Checks for age limits, suspected cases of intoxication and the handover of alcohol to minors are part of Alko's responsible customer service work. In 2014, 3.6 (3.5) million of Alko's customers showed proof of their legal age. In addition, 0.65 (0.6) million suspected intoxication checks and 0.3 (0.24) million suspected handover checks were carried out. All employees renewed their sales supervision passports. The success of age-limit checks was measured using a Mystery Shopping survey, which indicated a success rate of 89 (92) per cent.

Alko's In the Company of Children programme, which is carried out in cooperation with the National Institute for Health and Welfare (THL), the A-Clinic Foundation, the Mannerheim League for Child Welfare and the Finnish Parents' League, provided information online and on our Facebook pages, particularly to early childhood educators.

58 (65) per cent of Finns are of the opinion that Alko as a state-owned alcohol monopoly and its sole right to sell alcoholic beverages are a good way of controlling the extent of the harmful effects of alcohol. 89 (92) per cent believe that only Alko should be permitted to sell spirits. The majority of the population want sales of wine (55 per cent) and strong beer (60 per cent) to be limited to Alko. This information is from the survey on alcohol policy opinions in January 2015, in which 1002 Finns were interviewed by telephone.

Environmental responsibility and responsible procurement

Regular audits under the ISO 14 001 environmental system were carried out in October at 12 stores, three regional offices and the head office. During the report year, 175 (165) internal environmental audits were carried out in Alko stores. Alko joined the Baltic Sea Action Group's Living Baltic Sea project with its commitment to collect used bag-in-box fluid containment bags.

Alko continued to conduct BSCI inspection visits – that is, audits – to high-risk countries. Sixteen audits were conducted. In addition to alcoholic beverage producers, two work outfit suppliers were audited. The major challenges to safeguarding human and labour rights in the alcoholic beverage industry are posed by the seasonal nature of harvests. No serious ethical violations, such as use of child labour, were observed during the audits.

Products

Alko's product range featured drinks from 61 (59) countries. Drinks were purchased from 125 (106) domestic importers or manufacturers and from 194 (201) foreign suppliers.

The last price list from 2014 included 2,473 (2,450) alcoholic beverages. As well as buying from the general selection, consumers may also purchase products from the sale-to-order selection, which in December 2014 contained 1,430 (1,490) products. In addition to this, Alko's flagship store in Helsinki carries a special selection of about 160 products.

Alko lists new products for sale on a weekly basis. Alko stores also sell non-alcoholic beverages and a range of accessories.

Services and customers

At the end of 2014, Alko had a total of 353 (350) stores. The retail network was supplemented by 97 (102) order points. Approximately 58.9 (60.1) million customers visited Alko stores, a year-on-year decrease of two per cent. Alko's customer satisfaction rating remained on a par with the previous year. In the Suomi Tänään (Finland Today) national customer feedback survey, Alko ranked first in the retail group and third among all Finnish service companies.

Human resources

At the end of 2014 Alko's personnel numbered 2,611 (2,705). In terms of computational work-years, the total for full-time and part-time work was 1,879 (1,901) work-years.



There were an average of 4.0 (4.0) training days per employee. Training seeks to ensure that store staff have up-to-date knowledge of the products and to further improve the Alko customer experience.

The entire personnel is covered by an incentive scheme. The staff incentive system has a large number of indicators used to measure responsibility, customer service, personnel and finance and encourages profitability and being successful together.

Salaries and incentives paid to staff totalled EUR 68.0 (70.3) million. For 2014, staff and management will be paid EUR 3.0 million in incentives, inclusive of personnel-related expenses, accounting for 3.3 (3.7) per cent of personnel costs.

Shares and shareholders

The Government is the owner of the entire share capital (10,000,000 shares).

Management and administration

By the decision of the Annual General Meeting held on 27 May 2014, EUR 38.0 million was distributed as a dividend in two instalments. The first instalment, EUR 18.0 million, was remitted on 4 June 2014 and the remaining instalment, EUR 20.0 million, on 1 September 2014.

The Annual General Meeting elected Soili Suonoja as Chairman of the Board of Directors and Harri Vainio, MD, PhD, Director General, as Vice Chairman. The following members were elected: Sari Aalto-Matturi, Lic.Soc.Sc., Executive Director, Leila Kostiainen, LL.M., M.Sc. (Econ.), General Secretary, Kirsi Varhila, M.Soc.Sc, Director General, and Jarmo Väisänen, Lic.Soc.Sc. Keronen resigned from the Board on 1 March and Suonoja on 28 October 2014. On the basis of Chapter 5, Section 1(2) of the Companies Act, Minister of Health and Social Services Susanna Huovinen appointed Kuisma Niemelä, M.A., as a member of Alko's Board of Directors on 11 June and Harri Sailas, M.Sc. (Econ.), President and CEO, as the Chairman on 18 December.

Personnel representatives Marko Säkkinen and Riina Väntsi attended the meetings of the Board of Directors without the right to vote. The Board of Directors has three committees, namely the Audit, Staff and Alcohol Policy 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 is responsible for the company's risk management policy and monitors its implementation. The President and CEO, together with the Management Team, ensures compliance with the risk management policy and the appropriate organisation of risk management.

Alko's risk management means analysing and managing threats related to its activities in a systematic and anticipatory way. The risks are classified into strategic, operational, economic and accident risks.

The company has defined possible risks that can influence its future development and profitability:

- Changes in the Alcohol Act may have a significant impact on the company's operations.
- An increase in the alcohol tax could lead to a rise in imports of alcoholic drinks by returning travellers from abroad and thus result in a decrease in Alko's sales.
- Responsible customer service forms a central part of Alko's operations, for example, not selling alcohol to minors or intoxicated people. Any deviations from this policy will result in a temporary closure of the store in question.
- The company's business is based on efficient and reliable information systems. Any malfunctions in the information systems or their incompatibility with business demands can cause business interruptions.
- Environmental and social responsibility risks in the procurement chain for alcoholic beverages may damage the company's reputation as a responsible player if they are realised.



Near-term outlook

The prevailing economic situation, growing health awareness and imports of alcoholic drinks by travellers are the key reasons for the decline in Alko's sales by volume. This will most likely weaken the company's financial result in 2015.

Alko's store network is becoming increasingly diverse. The company is meeting the requirements of customers, efficiency and the programme to promote healthy competition with a variety of locations, store concepts and different-sized stores. Alko is developing digital service solutions, including an online shop concept.

The Board of Director's proposal about the distribution of profit and Auditor's report

The board proposes that EUR 371 409.33 is transferred from other profit funds to retained profits to cover work welfare costs.

On 31 December 2014, the parent company had EUR 57 239 809.96 (EUR 4 055 957.19) in distributable profit funds, of which the profit for the year amounts to EUR 40 812 443.44 euroa (EUR 38 164 000.69).

The Board proposes that the distributable funds be distributed as follows:

distributed as a dividend	40 000 000,00 EUR
retained under equity	17 239 809,96 EUR
	57 239 809,96 EUR

No substantial changes have taken place in the company's financial situation since the end of the financial year. The company's liquidity is good and, in the opinion of the Board, the proposed distribution of profits does not put the company's liquidity at risk.

Helsinki, 6 March 2015

The Board of Directors

Harri Sailas,
Chairman

Kirsi Varhila,
Vice Chairman

Sari Aalto-Matturi

Leila Kostainen
Kuisma Niemelä

Harri Vainio

Jarmo Väisänen

Hille Korhonen,
President and CEO



Auditor's report

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

Helsinki, 6 March 2015

KPMG Oy Ab

Lasse Holopainen, KHT



Statement by the Supervisory Board

The Supervisory Board of Alko Inc. has studied the company's financial statements and auditors' report for 2014 and proposes to the 2015 Annual General Meeting that the company income statement and balance sheets for the 2014 financial year be approved. The Supervisory Board agrees with the Board of Directors' proposal for disposal of the profits.

Helsinki, 12th of March, 2015

Sari Sarkomaa

Eila Tiainen

Anne Holmlund

Reijo Hongisto

Arja Juvonen

Saara Karhu

Pauli Kiuru

Mats Nylund

Heli Paasio

Leena Rauhala

Markku Rossi

Simo Rundgren



Consolidated Financial Statement

Alko Group's Consolidated Financial Statement is available [here](#).



Case gallery



Case gallery

In the company of children

Grant for raising young athletes awarded to the floorball section of Tapanilan Era

"Orphanage" raises awareness

Paimio

A responsible Alko from a Northern perspective

Timo Tanskanen loves his work

Industrial audit

Volunteers work to keep Lapland tidy for no pay but food

A smaller carbon footprint for Alko

Cases

Alko's programme 'In the company of children' is unique

ALKO'S PROGRAMME 'IN THE COMPANY OF CHILDREN' IS UNIQUE



Participants listening to Olavi Kaukonen, Executive Director of the A-Clinic Foundation. The foundation's 'Fragile Childhood Project' has promoted the programme e.g. through acclaimed films such as 'Monsters' and 'Orphanage'.

In June 2014, speakers at this event, which was arranged to celebrate the 5th anniversary of Alko's programme 'In the company of children,' labelled it a unique forum promoting joint action.

The programme began in 2009 and provides sustained support for cooperation aimed at reducing the use of alcohol by parents and adults in the presence of children, and the resulting harmful effects of such alcohol consumption.

Due to its long-term approach, the programme has facilitated systematic action, while continuous review has provided the basis for modifying its activities based on experience and observations.

The programme's exceptionally broad base of active partners includes the National Institute for Health and Welfare, the A-Clinic Foundation, the Mannerheim League for Child Welfare and the Finnish Parents' League.

The results of estimates and surveys conducted under the programme indicate that approximately 0.5 million adults have considered, monitored or altered their use of alcohol in the presence of children. The results prove that the long-term programme is effective.

Grant for raising young athletes awarded to the floorball section of Tapanilan Erä



The floorball section of Tapanilan Erä will celebrate its 25th anniversary in March, but the club had a reason to celebrate in advance, when Alko awarded a grant to the representatives of the large North Helsinki club on 15 November.

The 3,500 euro grant for turning young enthusiasts into responsible athletes was received by Jari Oksanen, head of the Erä floorball section, and Joonas Naava, sports manager.

Both were delighted with the recognition: "It is not often that sports clubs receive awards. It is utterly heart-warming to see that someone outside the sports scene appreciates our work," commented Jari Oksanen.

Joonas Naava is delighted with the recognition of the club's efforts in advocating a healthy way of life and life management skills. In his opinion, this proves that the club's chosen policy is correct and worth pursuing in the future.

Although detailed plans on how to spend the scholarship are not yet in place, the fact that the grant is intended for sports camps means that there is an obvious investment target. The grant will be spent on taking young athletes to camps at the Sport Institute of Finland in Vierumäki, where Erä teams have previously held training camps. Oksanen and Naava want the money to benefit as many young floorball players as possible.

"Training camps during the season are useful, as they provide the players with experiences and build team spirit. Travel and accommodation is not cheap, however, and the grant will allow us to provide financial assistance to the families of some young players."

The sports club has a long record of making systematic efforts to promote a healthy way of life among its young members.

"Sports club activities are not a business activity. Instead, our aim is to make physical activity and sports an integral part of the youngsters' lives, now and going forward." Oksanen and Naava emphasise the key role sports plays in life management for children and young people. "It plays a huge role – it's much more significant than people realise."

The aim of Alko's grant is to encourage sports clubs to promote sports and physical exercise free of intoxicants, presenting an annual award to a team that has succeeded particularly well in this respect. The leaders of Tapanilan Erä have a clear policy on intoxicants:

they have no place in this club's operating culture. It is all about creating a culture and setting a role model, which is what coaches and representative teams do for younger club members.

Alko selects the recipient of the grant each year, together with Valo, the Finnish Sports Confederation.





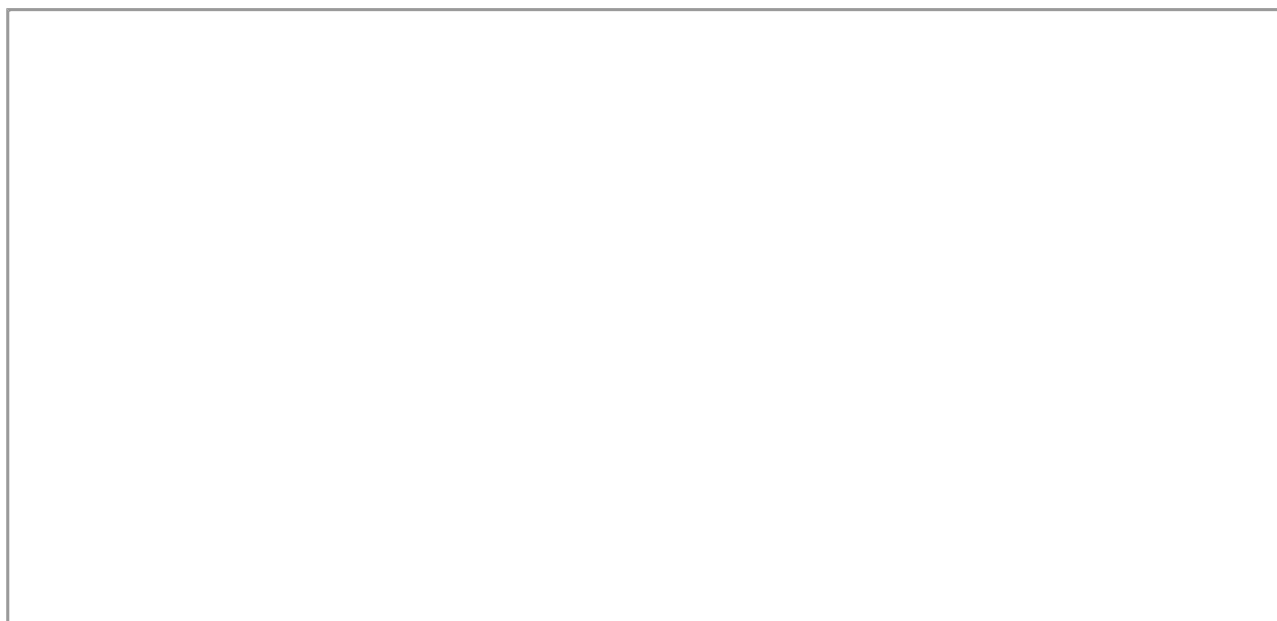
"Orphanage" raises awareness

Alko's In the Company of Children programme and its partners also highlight challenging issues. The A-Clinic Foundation is one of the programme partners. Its Fragile Childhood project raises awareness of children's issues.

In 2014, the Fragile Childhood and In the Company of Children sites released a video entitled "Orphanage". With the other videos in the series ("Voice for a Child", "Monsters"), it has won great acclaim, especially abroad.

Markkinointi & Mainonta magazine acclaimed "Orphanage" as one of the best five video ads of the year.

"Orphanage" also won gold at the Mobius Awards in the Commercials series. The competition entries came from more than 30 countries. "Orphanage" is the only winning Finnish entry.



Paimio

The skills of Alko shop staff are highly appreciated. Praise is particularly plentiful when the salesperson's product expertise and good advice have helped customers to arrange festive events. People want the best for their celebrations! To bring joy to everyone at Alko, we published positive comments received from customers in 2014.



Hil

I would like to give positive feedback on Alko's services in Paimio. I celebrated my birthday in January 2014 and received excellent assistance with the arrangements. The expert staff took broad account of my requirements for the celebration in terms of the event's nature, duration, timing, catering and the number of people present.

I was given excellent advice on selecting wines and the punch recipe was exquisite, taking full account of the quantities and flavours of the various ingredients. I was instructed on bubbles and even on how the beverages should look, without forgetting the non-alcoholic options. The service I received was truly personal.

I would like to express my warmest gratitude to the cheerful service-mindedness of the Alko staff at the Paimio shop, and my special thanks go to Mervi!

PS. The party was a great success!



A responsible Alko from a Northern perspective

The northern dimension of responsible customer service is the same as the southern

Alko regional managers Kaija-Leena Kerkelä of Lapland, and Anne Penttälä of Oulu, are well aware of this. They have a lot on their plate, since these two regions, Lapland and Oulu, cover 50 per cent of Finland's land area and have almost 60 Alko stores.



Kaija-Leena (on the left) has been with Alko for six years, Anne (on the right) for eleven.

Alko is a chain of specialty stores, operating in the same way everywhere, from south to north, say Kaija-Leena and Anne. "Although our operating methods are the same, the seasons of the north – late winter and autumn – make both everyday life and the festive season very different."

In addition, local languages such as Saami and Norwegian add more flavour to life in Lapland, comments Kaija-Leena.

Anne adds, "It is true that the seasons and tourists influence the product range in our shops, both in Lapland and the Oulu region."

Long distances are challenging

Long distances are not only time-consuming but increase costs. Our new community-based working methods and tools enable us to rise to this challenge. In addition, Alko staff are committed and ready to travel long distances to develop into even better professionals, say the regional managers in unison.

Supervision plays a key role in sales

Supervision of sales is the key theme in terms of responsibility, say Anne and Kaija-Leena, before continuing:

Supervision of age limits is very important for shop staff, as it is the key and most visible aspect of responsible customer service in shops. Everyone wants to manage this in exemplary fashion.

The most difficult aspect of sales supervision lies in confirming whether alcohol is being handed over to minors. The question, "Are you buying alcohol for personal use only," can be taken as a highly personal question. You need to know how to address the customer delicately and with a positive tone. In small towns, everyone knows the sales staff at Alko. This can be problematic at times, but is usually



only a positive factor in terms of customer service.

Responsibility and customer service go hand in hand at Alko

Responsible customer service has to be maintained in a variety of ways, in both training and shop meetings. Teams should share experiences of successful examples and awkward situations during sales supervision. In this way, they can learn from experience, say the regional managers.

During the induction of new Alko employees, a sufficient focus needs to be placed on responsibility and sales supervision principles, in order to enable employees to learn the Alko way, i.e. a responsible approach, from the very beginning.

The best aspects of being a regional manager?

The diverse duties, challenges and the people you work with. In this position, independence is a bonus: you are free to plan your work independently within the framework of your job description and objectives.



Alko staff are committed and ready to travel long distances to develop into even better professionals, say the regional managers in unison

Timo Tanskanen loves his work



Each year, Alko seeks to reward its exemplary employees with medals of honour from the President of the Republic. In 2014, one of the medal of honour recipients was Timo Tanskanen from the Myyrmanni Alko in Vantaa.

After 35 years on the job, some people just go through the motions. That hasn't happened to Timo.

"I always love to come to work!"

About 35 years ago – on 7 May 1980, to be exact, when Timo completed his military service – he followed in his uncle's footsteps and started working for Alko. His Alko store was in the Käpylä neighbourhood of Helsinki. His boss was Jorma Nurminen. Back then, the company's Director General was Heikki Koski.

"Volleyball was the in sport at the company. I played it, and so did Koski. After training, the Director General and I would sometimes talk a bit in the sauna."

Appreciating our sense of community

"For me, community-based work methods mean giving others a hand. Both my own colleagues and the head office have helped me out."

When you're around Timo, you also notice that community-based work also involves interaction – people helping each other.

Training and coaching to meet your needs – and beyond

Years ago, Timo completed the Pruvvari training programme at Alko. This programme has also coached many trainees to take on managerial positions. Extensive theme or product training sessions have increased his confidence in dealing with all kinds of situations.

"I've received monthly training, coaching on product knowledge and lessons from the Finnish Red Cross – all of these have contributed to my expertise. If I could just absorb all the information, that would be great. My supervisors have eagerly asked me what kind of training I'd be interested in. I've had plenty of opportunities to participate."



Occupational wellbeing and health above all

Timo has been especially pleased with Alko's occupational healthcare, which has provided assistance when required. Tanskanen maintains his fitness by walking. He strolls in good company, with his wife.

"And fishing and picking mushrooms are my passions."

In the mid-2000s, Timo had gained extra kilos and realised that it was high time to start keeping his weight under control. The doctor had cautioned him about that. And with good reason. But now he has kept his weight down with his daily choices.

Plenty of enthusiasm

"This is a great job and my workmates are wonderful. At the store, we talk about all kinds of things, but also respect each other's privacy. For instance, Heikki is a laidback and down-to-earth guy. He has a nice approach to giving feedback – and he doesn't forget to congratulate us on our successes, either. I tend to mull over things. Now I've learned that if I'm wondering about something job-related, I should have a talk with Heikki. I've never entertained the idea of becoming a manager myself. Over the years I've noticed that Alko store managers have plenty of work on their plates. It's not an easy job. Being a salesperson is a varied job that's just right for me," says Timo.

Performance reviews are also important for veteran employees.

"Somehow they wake you up from the hustle and bustle of your daily work and help you look to the future. Over the years, the job has become more varied. Partly because you get to have a say in what you want, and partly because diversity is the spirit of the day."

Industrial audit



The purpose of audits, i.e. inspection visits, is to ensure that operators in the Alko supply chain comply with the BSCI Code of Conduct.

All suppliers of beverages for Alko have signed a commitment to ensure compliance with these ethical principles. Audits verify the performance of producers' operating models in line with the Code of Conduct, identify possible defects and encourage and commit producers to undertake the necessary remedial action.

We choose the sites for these audits, which are performed at three-year intervals. An annual follow-up process is in place, in case problems are detected.

Audits are exclusively conducted by auditors accredited by Social Accountability Accreditation Services (SAAS), SA8000, or the BSCI. In many cases, the auditors are local people or individuals with both good local knowledge and the required language skills.

As audits are always performed in the native language of the audited site, interpreters are sometimes required. Alko and/or the importer's representatives may participate in audits.

Audits are systematic

Audit visits begin with an initial meeting attended by responsible persons appointed by the production plants, and management representatives. The course of the audit, the required documentation and the schedule for the day are reviewed. The next step involves the introduction of a set of auditing questions, under the leadership of the auditor, to those responsible for each issue. A tour of the production facilities follows the review of documentation and the related discussions. During the tour, the auditor selects employees for private interviews conducted on the same day or within the next few days. In order to ensure a reliable sample, the number of interviewees is based on the total number of personnel in the production plant.

After the interviews, the auditor compiles a summary report of the observations made. In most cases, this report is reviewed alongside those who attended the initial meeting. A list of corrective actions is drawn up, persons responsible for implementation are selected and a schedule for completion is prepared. The auditor saves the report in the BSCI database and authorises the producer to read the report.



As the commissioner of the audit, Alko is able to access the report via the BSCI database.

Through this database, the final report of the audit is made available for all BSCI members who have included the audited producer in their supply chain. This helps to avoid overlapping audits and enhances the management of responsibility in supply chains.

Volunteers work to keep Lapland tidy for no pay but food



Keep Lapland Tidy is a non-profit environmental organisation established in 1987. Its mission is to work for a cleaner and more enjoyable environment in Lapland.

It has often been claimed that volunteerism has waned in Finland during the past decades. Fortunately, this hasn't been the case at Keep Lapland Tidy's volunteer camps. Plenty of people have volunteered their time. In fact, the association has had to even turn people away, with regrets – too many volunteers would compromise camp effectiveness and upkeep.

Every year, the association organises week-long volunteer camps in association with its partners. In summer 2014, it had two international camps. The volunteers came mainly from Finland, but also from abroad through the Allianssi Youth Cooperation organisation's exchange programme – even as far as from New Zealand and South Korea.

The volunteers are a cheerful and energetic bunch. Not even last summer's heatwave managed to slow them down. The first volunteer camp of the summer was held in July at the Perämeri National Park, where the volunteers maintained the traditional landscape by felling juniper trees that overshadowed meadow vegetation, painting and renovating buildings on Selkä-Sarvi Island and picking up trash from beaches.

The second camp was organised at the Urho Kekkonen National Park. Volunteers worked at Luulampi and Luirojärvi. At Luulampi, they erected a fence to protect an antiquities area, repaired a day hut, cleaned and renovated wilderness cabins, lean-to shelters and campfire sites, as well as removed rotted duckboards and replaced them with new ones. At Luirojärvi, their work included building a woodshed.

It's not a camp without a sauna. We're in Finland, after all. A tent sauna is a vital piece of camp gear. After a hard day's work, enjoying the heat of a tent sauna rivals anything the best spa can offer. Chopped firewood is provided for the volunteers. They have to fetch their water from a lake or river. Roughing it is nothing new to Finns, as almost everyone has gone to a summer cabin or camping in the woods as a child – but for the foreign volunteers, living in the great outdoors and swimming in pure natural water can be a very exotic experience. At last summer's camps, the foreign volunteers often spent hours bathing in the sauna and swimming.



You could easily calculate how much work the volunteers have performed and even appraise its financial value. But they also do plenty of work that cannot be valued in money. Their only pay is food. They come from near and far – some even from other countries – to do something for the common good.

Hikers benefit from the work of the volunteers. They get to walk safely on well-maintained duckboards and enjoy the warm shelter of repaired lean-tos, where firewood is stacked ready for use. It doesn't occur to many of the hikers who go down these routes to wonder why there is no trash around. Keep Lapland Tidy's volunteer camps show that volunteerism is still alive and well in Finland. Maybe people these days simply don't want to make a long-term commitment to a certain form of volunteer work – rather, they now volunteer their time more spontaneously. All types of volunteer work, whether ongoing or one-time only, have something in common: the desire to make a difference.

The association seeks to provide hikers, visitors to Lapland and local residents with the means to minimise impacts on Lapland's unique natural environment. Alko has supported the activities of Keep Lapland Tidy for twenty years now.



A smaller carbon footprint for Alko



Alko Inc aims to diminish the environmental load of its operations in a number of ways, for instance by enhancing the efficiency of logistics and recycling of materials.

The 351 Alko shops around Finland receive deliveries from eight warehouses, only one of which is owned by Alko. Hence, most products are delivered from the warehouses of product manufacturers and importers.

Alko's logistics partners compile the orders placed by shops by collecting goods from product warehouses and taking them to transport terminals for delivery in combined loads.

"This arrangement means that shops receive just one load instead of many and we do not see delivery trucks driving around empty or transporting incomplete loads," says Logistics Manager Tuomas Kokkonen.

This system is not only ecological but also highly efficient, enabling shops to rationalise their operations.

They receive loads in accordance with a strict schedule: delivery trucks have an hour's margin, being allowed to arrive half an hour early or late at most.

Kokkonen emphasises that there is a clear reason for this rule: shops have limited space and their employees are occupied with a broad range of duties. Staff numbers are dimensioned to meet needs at any given time.

"Deliveries to shops are a critical process. Accuracy and efficiency in this regard are crucial," says Kokkonen.

Emissions monitored

Since 2011, all Alko shops have followed the principles specified in the international ISO 14001 environmental management system. In January, shops, regional offices and the head office in Helsinki were granted the international ISO 14001 environmental certification.

Our environmental management system enables us to identify and reduce harmful environmental impacts and lower the related costs.



Alko reduces its environmental footprint in various ways, which include lowering package weight, enhancing the efficiency of logistics, making the greatest possible use of return transports, and recycling materials.

Alko monitors the environmental impacts of its logistics operations by calculating the annual carbon dioxide emissions of transportation as part of the figures publicised in its annual report.

Environmental criteria are key when selecting logistics partners, including an environmental and quality reporting requirement.



Case gallery



Case gallery

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Cases

ALKO GROUP CONSOLIDATED
FINANCIAL STATEMENT **2014**



INCOME STATEMENT AND BALANCE SHEET

ALKO GROUP

INCOME STATEMENT, FAS EUR

	1.1.-31.12.2014	1.1.-31.12.2013
NET SALES	1,180.0	1,175.3
Other operating income	3.1	3.6
Materials and services	-979.5	-976.5
Total personnel costs	-87.4	-88.6
Depreciation and write-downs	-6.3	-6.1
Other operating expenses	-59.5	-58.6
OPERATING PROFIT	50.4	49.1
Financial income and expenses	0.8	1.1
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	51.2	50.2
PROFIT/LOSS AFTER EXTRAORDINARY ITEMS	51.2	50.2
Income taxes	-10.3	-12.3
PROFIT/LOSS FOR FINANCIAL YEAR	40.9	38.0

BALANCE SHEET, FAS EUR

	31.12.2014	31.12.2013
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	8.4	7.9
Tangible assets	40.2	41.0
Investments	6.7	6.7
NON-CURRENT ASSETS	55.3	55.5
CURRENT ASSETS		
Inventories	62.3	67.5
Non-current receivables	1.6	1.6
Deferred tax assets	0.8	0.7
Current receivables	17.3	22.8
Cash in hand and on deposit	118.6	120.5
CURRENT ASSETS	200.6	213.2
ASSETS	255.9	268.7
SHAREHOLDERS' EQUITY AND LIABILITIES		
TOTAL SHAREHOLDERS' EQUITY		
Share capital	16.8	16.8
Other funds	2.8	3.2
Retained profit	17.1	16.7
Profit/loss for financial year	40.9	38.0
TOTAL SHAREHOLDERS' EQUITY	77.6	74.7
LIABILITIES		
Imputed tax liability	1.4	1.4
Current non-interest-bearing liabilities	176.9	192.6
LIABILITIES	178.3	194.0
SHAREHOLDERS' EQUITY AND LIABILITIES	255.9	268.7

FAS=Finnish Accounting Standards



CASH FLOW STATEMENT, FAS

ALKO GROUP

CASH FLOW STATEMENT, FAS EUR

	2014	2013
CASH FLOW FROM OPERATIONS		
Profit/loss for financial year	40.9	38.0
ADJUSTMENTS:		
Depreciation and write-downs	6.3	6.1
Non-current asset items: sales profits (-)/losses (+)	0.1	-0.7
Financial income and expenses	-0.8	-1.1
Income taxes	10.3	12.3
Other adjustments	0.0	0.0
Cash flow before change in working capital	56.8	54.5
CHANGE IN WORKING CAPITAL:		
Increase (-)/decrease (+) in inventories	5.2	-3.8
Increase (-)/decrease (+) in current non-interest-bearing accounts receivable	1.9	-1.4
Increase (+)/decrease (-) in current non-interest-bearing liabilities	-15.7	12.5
Change in provision	0.0	0.0
Cash flow from operations before financial items and taxes	48.3	61.8
Interest paid and payments on other financial operating expenses	0.0	-0.1
Dividends received from operations	0.0	0.0
Interest received from operations	1.6	0.7
Other financial items from operations	-0.1	0.0
Direct taxes paid	-7.6	-18.4
Cash flow before extraordinary operating items	42.3	44.0
Cash flow due to extraordinary operating items		
CASH FLOW FROM OPERATIONS	42.3	44.0
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-6.1	-6.9
Income from surrender of tangible and intangible assets	-0.1	0.0
Sold shareholdings in subsidiaries		0.2
Other investments		
Surrendered income from other investments		1.2
CASH FLOW FROM INVESTMENTS	-6.3	-5.6
CASH FLOW FROM FINANCIAL OPERATIONS		
Short-term loan withdrawals		
Long-term loan repayments		
Dividend paid	-38.0	-44.0
Donations paid		
CASH FLOW FROM FINANCIAL OPERATIONS	-38.0	-44.0
CHANGE IN FINANCIAL POSITION	-2.0	-5.6
Financial resources at the beginning of the year	120.5	126.1
Change in financial position	-2.0	-5.6
Financial resources at the end of the year	118.6	120.5



INCOME STATEMENT AND BALANCE SHEET

ALKO OY

INCOME STATEMENT, FAS EUR

	31.12.2014	31.12.2013
NET SALES	1,179.8	1,175.0
Other operating income	3.1	3.6
Materials and services	-979.5	-976.5
Total personnel costs	-87.4	-88.6
Depreciation and write-downs	-6.0	-5.7
Other operating expenses	-59.5	-58.4
OPERATING PROFIT	50.5	49.4
Financial income and expenses	0.8	1.1
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	51.3	50.6
PROFIT/LOSS AFTER EXTRAORDINARY ITEMS	51.3	50.6
Income taxes	-10.5	-12.4
PROFIT/LOSS FOR FINANCIAL YEAR	40.8	38.2

BALANCE SHEET, FAS EUR

	31.12.2014	31.12.2013
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	8.4	7.9
Tangible assets	11.9	12.5
Investments	33.8	33.8
NON-CURRENT ASSETS	54.1	54.2
CURRENT ASSETS		
Inventories	62.3	67.5
Non-current receivables	1.6	1.6
Current receivables	17.2	22.8
Cash in hand and on deposit	118.4	120.5
CURRENT ASSETS	199.5	212.4
ASSETS	253.7	266.6
SHAREHOLDERS' EQUITY AND LIABILITIES		
TOTAL SHAREHOLDERS' EQUITY		
Share capital	16.8	16.8
Other funds	2.8	3.2
Retained profit	16.4	15.9
Profit/loss for financial year	40.8	38.2
TOTAL SHAREHOLDERS' EQUITY	76.8	74.0
LIABILITIES		
Current non-interest-bearing liabilities	176.8	192.6
LIABILITIES	176.8	192.6
SHAREHOLDERS' EQUITY AND LIABILITIES	253.7	266.6

FAS=Finnish Accounting Standards



CASH FLOW STATEMENT, FAS

ALKO OY

CASH FLOW STATEMENT, FAS EUR

	2014	2013
CASH FLOW FROM OPERATIONS		
Profit/loss for financial year	40.8	38.2
ADJUSTMENTS:		
Depreciation and write-downs	6.0	5.7
Non-current asset items: sales profits (-)/losses (+)	0.1	-0.7
Financial income and expenses	-0.8	-1.1
Income taxes	10.5	12.4
Other adjustments	0.0	0.0
Cash flow before change in working capital	56.6	54.4
CHANGE IN WORKING CAPITAL:		
Increase(-)/decrease(+) in inventories	5.2	-3.8
Increase (-)/decrease (+) in current non-interest-bearing accounts receivable	2.0	-1.3
Increase (+)/decrease (-) in current non-interest-bearing liabilities	-15.8	12.5
Change in provision	0.0	0.0
Cash flow from operations before financial items and taxes	48.0	61.8
Interest paid and payments on other financial operating expenses	0.0	-0.1
Dividends received from operations	0.0	0.0
Interest received from operations	1.6	0.7
Other financial items from operations	-0.1	0.0
Direct taxes paid	-7.6	-18.4
Cash flow before extraordinary operating items	42.0	43.9
Cash flow due to extraordinary operating items		
CASH FLOW FROM OPERATIONS	42.0	43.9
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-6.0	-6.4
Income from surrender of tangible and intangible assets	-0.1	0.0
Acquisition of subsidiaries		-0.4
Sold shareholdings in subsidiaries		
Other investments		0.2
Surrendered income from other investments		1.2
CASH FLOW FROM INVESTMENTS	-6.1	-5.5
CASH FLOW FROM FINANCIAL OPERATIONS		
Dividend paid	-38.0	-44.0
Donations paid		
CASH FLOW FROM FINANCIAL OPERATIONS	-38.0	-44.0
CHANGE IN FINANCIAL POSITION	-2.2	-5.5
Financial resources at the beginning of the year	120.5	126.0
Change in financial position	-2.2	-5.5
Financial resources at the end of the year	118.4	120.5



SCOPE OF THE CONSOLIDATED STATEMENTS AND ACCOUNTING PRINCIPLES

The Alko Group includes the parent company (Alko Oy) and four real estate companies as subsidiaries: Puolangan Keskus (50.48%), Raahen Asemakatu 12 (57.9%), Vuoksenniskan Harju-lanrinne (73.08%) and Kiinteistö Oy Arkadiantalo (100%). Group consolidation includes Kiinteistö Oy Arkadiantalo. Other subsidiaries and associated companies have no material effect on the Group's result or financial position.

INTERNAL SHAREHOLDINGS

The consolidated financial statements have been prepared using the purchase method of accounting. Depreciation is carried out according to the depreciation plan for non-current assets.

INTERCOMPANY TRANSACTIONS AND MARGINS

Inter-Group transactions, unrealised margins on internal deliveries, intercompany receivables and payables, and internal distribution of profits are eliminated.

MINORITY INTERESTS

There are no minority interests.

COMPARABILITY OF THE FINANCIAL STATEMENTS

The financial statements are comparable.

VALUATION PRINCIPLES

NET SALES

Excise taxes are included in net sales.

FIXED ASSETS VALUATION

Fixed assets are stated at cost less planned accumulated depreciation. The planned depreciation has been calculated on a straight-line basis over the useful life of the item concerned. Depreciation has started from the month of the introduction of the item. The depreciation plan is the same as in the previous year.

Depreciation times:

	years
Buildings	25-40
Construction	20
Machinery and equipment (purchased before 2002)	10
Machinery and equipment (purchased in or after 2002)	7
Machinery and equipment (purchased in or after 2009)	5
Transport equipment	5
Computer hardware	3
Computer software	3-5
Renovation of shop premises	5

VALUATION OF INVENTORIES

Inventories have been measured with variable costs according to the average price principle. The value of shop inventories includes an excise duty. The central warehouse in Viinikkala, Voutila is excise duty free.

VALUATION OF FINANCIAL ASSETS

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

ITEMS DENOMINATED IN FOREIGN CURRENCY

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

NOTES TO THE INCOME STATEMENT, FAS

EUR	ALKO GROUP		ALKO OY	
	1.1.–31.12.2014	1.1.–31.12.2013	1.1.–31.12.2014	1.1.–31.12.2013
TOTAL OTHER OPERATING INCOME				
Rental income	2.0	1.9	2.0	1.9
Other operating income	1.1	0.9	1.1	0.9
Profit on sale of fixed assets	0.0	0.8	0.0	0.8
Total other operating income	3.1	3.6	3.1	3.6
MATERIALS AND SERVICES				
Purchases during financial period	-973.4	-980.1	-973.4	-980.1
Increase/decrease in inventories	-5.3	3.8	-5.3	3.8
Materials, consumables and supplies	-978.6	-976.3	-978.6	-976.3
Outsourced services	-0.9	-0.2	-0.9	-0.2
Total materials and services	-979.5	-976.5	-979.5	-976.5
AVERAGE PERSONNEL DURING THE FINANCIAL YEAR	1,879	1,901	1,879	1,901
TOTAL PERSONNEL COSTS				
Wages, salaries and remuneration	-68.0	-70.3	-68.0	-70.3
Pension expenses	-15.9	-14.5	-15.9	-14.5
Other personnel-related expenses	-3.6	-3.8	-3.6	-3.8
Total personnel costs	-87.4	-88.6	-87.4	-88.6

Alko employees whose employment contract started before 31 December 1991 are covered by the supplementary pension system. Their retirement age is 61 years and their pensions are 66 per cent of their salaries. The OP-Life group pension insurance chosen by the parent company has an additional insurance fund of EUR 17.3 million. This fund can be used as insurance against supplementary pension index increases and other obligations.

EUR	ALKO GROUP		ALKO OY	
	1.1.–31.12.2014	1.1.–31.12.2013	1.1.–31.12.2014	1.1.–31.12.2013
SALARIES, REMUNERATIONS AND FRINGE BENEFITS PAID TO THE MANAGEMENT				
President and CEO	0.4	0.4	0.4	0.4
Previous President and CEO		0.1	0.0	0.1
Members of the Board	0.2	0.2	0.2	0.2
Supervisory Board wages, salaries and remuneration	0.0	0.0	0.0	0.0
Total	0.7	0.7	0.7	0.7

Incentive bonuses are included in salaries on an accrual basis.

At the end of 2014, a part of the Management Team belonged to the supplementary pension benefit scheme. One member of the Management Team had a defined-benefit group pension arrangement with a retirement age of about 61 years, depending on years of service, and a pension amounting to 66 per cent of salary. Three members of the Management Team had defined-contribution group pension arrangements with an annual payment of 10 per cent of the annual salary excluding bonuses; their retirement age is in line with the Employees Pensions Act (TyEL). The pensions of three Management Team members are determined by TyEL and they do not belong to the supplementary pension fund.

NOTES TO THE INCOME STATEMENT, FAS

EUR	ALKO GROUP		ALKO OY	
	1.1.-31.12.2014	1.1.-31.12.2013	1.1.-31.12.2014	1.1.-31.12.2013
DEPRECIATION AND WRITE-DOWNS				
Depreciation according to plan	-6.3	-6.3	-6.0	-5.9
Depreciation according to plan on non-current assets and goodwill	-6.3	-6.3	-6.0	-5.9
Reversed impairment on non-current asset items		0.2	0.0	0.2
Total depreciation and write-downs	-6.3	-6.1	-6.0	-5.7
AUDITOR'S FEE				
KPMG Oy Ab				
Audit	0.0	0.0	0.0	0.0
Other fees	0.0	0.1	0.0	0.1
Total	0.1	0.1	0.1	0.1
OTHER OPERATING EXPENSES				
Rental expenses	-20.7	-20.4	-21.6	-20.8
Voluntary personnel-related expenses	-4.9	-5.0	-4.9	-5.0
Capital losses on non-current assets	-0.2	-0.1	-0.2	-0.1
Support given	-0.6	-0.7	-0.6	-0.7
Energy	-1.4	-1.6	-1.3	-1.6
Work outfits and equipment	-2.7	-3.8	-2.7	-3.8
Construction and repair services	-1.7	-2.3	-1.7	-2.3
IT services	-7.8	-6.9	-7.8	-6.9
Transport	-1.6	-1.5	-1.6	-1.5
Other outsourced services	-5.5	-5.2	-5.5	-5.2
Communications and marketing	-3.6	-3.3	-3.6	-3.3
Telecommunications	-1.9	-1.6	-1.9	-1.6
Credit card commissions and the handling of cash	-3.7	-3.2	-3.7	-3.2
Other expenses	-3.2	-3.2	-2.4	-2.5
Total other operating expenses	-59.5	-58.6	-59.5	-58.4
FINANCIAL INCOME AND EXPENSES				
FINANCIAL INCOME				
Dividends from others	0.0	0.0	0.0	0.0
Income from holdings	0.0	0.0	0.0	0.0
Other interest and financial income from others	0.8	1.1	0.8	1.1
Other financial income	0.8	1.1	0.8	1.1
Total financial income	0.8	1.2	0.8	1.2

NOTES TO THE INCOME STATEMENT, FAS

EUR	ALKO GROUP		ALKO OY	
	1.1.-31.12.2014	1.1.-31.12.2013	1.1.-31.12.2014	1.1.-31.12.2013
FINANCIAL EXPENSES				
Other interest and financial expenses	0.0	-0.1	0.0	-0.1
Other financial expenses	0.0	0.0	0.0	0.0
Total other interest and financial expenses	0.0	-0.1	0.0	-0.1
Total financial expenses	0.0	-0.1	0.0	-0.1
Total financial income and expenses	0.8	1.1	0.8	1.1
Profit/loss from exchange rates	-0.1	0.0	-0.1	0.0
Total profit/loss from exchange rates	-0.1	0.0	-0.1	0.0
DIRECT TAXES				
Income taxes on ordinary operations	-10.5	-12.4	-10.5	-12.4
Income taxes on extraordinary income				
Changes in deferred tax liabilities and assets	0.2	0.1		
Income taxes on ordinary operations	-10.3	-12.3	-10.5	-12.4

NOTES TO THE BALANCE SHEET

EUR	ALKO GROUP		ALKO OY	
	31.12.14	31.12.13	31.12.14	31.12.13
NON-CURRENT ASSETS				
INTANGIBLE ASSETS				
Other capitalised expenditures	1.6	1.2	1.6	1.2
Advance payments on intangible assets	6.7	6.7	6.7	6.7
Intangible assets	8.4	7.9	8.4	7.9
TANGIBLE ASSETS				
Land and water areas	13.9	13.9	0.0	0.0
Buildings and constructions	14.4	14.6	0.0	0.0
Machinery and equipment	11.7	12.2	11.7	12.2
Other tangible assets	0.2	0.2	0.2	0.2
Tangible assets	40.2	41.0	11.9	12.5
INVESTMENTS				
Holdings in Group companies	0.4	0.4	27.5	27.5
Holdings in associates	1.8	1.8	1.8	1.8
Other shares and holdings	4.5	4.5	4.5	4.5
Investments	6.7	6.7	33.8	33.8
Total non-current assets	55.3	55.5	54.1	54.2



NOTES TO THE BALANCE SHEET

INTANGIBLE ASSETS

ALKO GROUP INTANGIBLE ASSETS 2013	OTHER CAPITALISED EXPENDITURES	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 January	9.6	5.5	15.2
Increase	0.9	1.1	2.0
Acquisition cost 31 December	10.5	6.7	17.2
Accumulated depreciation 1 January	-8.9	0.0	-8.9
Depreciation for financial year	-0.4	0.0	-0.4
Accumulated depreciation 31 December	-9.3	0.0	-9.3
BOOK VALUE 31 DECEMBER	1.2	6.7	7.9

INTANGIBLE ASSETS 2014	OTHER CAPITALISED EXPENDITURES	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 January	10.5	6.7	17.2
Increase	1.2	0.1	1.3
Acquisition cost 31 December	11.7	6.7	18.5
Accumulated depreciation 1 January	-9.3	0.0	-9.3
Depreciation for financial year	-0.8	0.0	-0.8
Accumulated depreciation 31 December	-10.1	0.0	-10.1
BOOK VALUE 31 DECEMBER	1.6	6.7	8.4

ALKO OY INTANGIBLE ASSETS 2013	OTHER CAPITALISED EXPENDITURES	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 January	9.6	5.5	15.2
Increase	0.9	1.1	2.0
Acquisition cost 31 December	10.5	6.7	17.2
Accumulated depreciation 1 January	-8.9	0.0	-8.9
Depreciation for financial year	-0.4	0.0	-0.4
Accumulated depreciation 31 December	-9.3	0.0	-9.3
BOOK VALUE 31 DECEMBER	1.2	6.7	7.9

INTANGIBLE ASSETS 2014	OTHER CAPITALISED EXPENDITURES	ADVANCE PAYMENTS	TOTAL
Acquisition cost 1 January	10.5	6.7	17.2
Increase	1.2	0.1	1.3
Acquisition cost 31 December	11.7	6.7	18.5
Accumulated depreciation 1 January	-9.3	0.0	-9.3
Depreciation for financial year	-0.8	0.0	-0.8
Accumulated depreciation 31 December	-10.1	0.0	-10.1
BOOK VALUE 31 DECEMBER	1.6	6.7	8.4

NOTES TO THE BALANCE SHEET

TANGIBLE ASSETS

ALKO GROUP TANGIBLE ASSETS 2013	LAND AND WATER AREAS	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 January	13.9	14.7	55.6	0.2	84.4
Increase	0.0	0.5	4.4	0.0	4.9
Decrease	0.0	0.0	-0.2	0.0	-0.2
Acquisition cost 31 December*	13.9	15.2	59.9	0.2	89.2
Accumulated depreciation 1 January	0.0	-0.2	-42.4	0.0	-42.5
Accumulated depreciation on decrease and transfers	0.0	0.0	0.2	0.0	0.2
Depreciation for financial year	0.0	-0.4	-5.4	0.0	-5.8
Accumulated depreciation 31 December	0.0	-0.6	-47.6	0.0	-48.2
BOOK VALUE 31 DECEMBER	13.9	14.6	12.2	0.2	41.0

TANGIBLE ASSETS 2014	LAND AND WATER AREAS	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 January	13.9	15.2	59.9	0.2	89.2
Increase	0.0	0.1	4.7		4.8
Decrease	0.0	0.0	-1.0	0.0	-1.0
Acquisition cost 31 December*	13.9	15.3	63.6	0.2	93.0
Accumulated depreciation 1 January	0.0	-0.6	-47.6	0.0	-48.2
Accumulated depreciation on decrease and transfers	0.0	0.0	1.0	0.0	1.0
Depreciation for financial year	0.0	-0.3	-5.3	0.0	-5.6
Accumulated depreciation 31 December	0.0	-0.9	-51.9	0.0	-52.8
BOOK VALUE 31 DECEMBER	13.9	14.4	11.7	0.2	40.2

NOTES TO THE BALANCE SHEET

TANGIBLE ASSETS

ALKO OY TANGIBLE ASSETS 2013	LAND AND WATER AREAS	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 January	0.0	0.1	55.6	0.2	56.0
Increase	0.0	0.0	4.4	0.0	4.4
Decrease	0.0	0.0	-0.2	0.0	-0.2
Acquisition cost 31 December*	0.0	0.1	59.9	0.2	60.2
Accumulated depreciation 1 January	0.0	-0.1	-42.4	0.0	-42.4
Accumulated depreciation on decrease and transfers	0.0	0.0	0.2	0.0	0.2
Depreciation for financial year	0.0	0.0	-5.4	0.0	-5.4
Accumulated depreciation 31 December	0.0	-0.1	-47.6	0.0	-47.7
BOOK VALUE 31 DECEMBER	0.0	0.0	12.2	0.2	12.5

Tangible assets 2014	LAND AND WATER AREAS	BUILDINGS AND CONSTRUCTIONS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
Acquisition cost 1 January	0.0	0.1	59.9	0.2	60.2
Increase	0.0	0.0	4.7	0.0	4.7
Decrease	0.0	0.0	-1.0	0.0	-1.0
Acquisition cost 31 December*	0.0	0.1	63.6	0.2	63.9
Accumulated depreciation 1 January	0.0	-0.1	-47.6	0.0	-47.7
Accumulated depreciation on decrease and transfers	0.0	0.0	1.0	0.0	1.0
Depreciation for financial year	0.0	0.0	-5.3	0.0	-5.3
Accumulated depreciation 31 December	0.0	-0.1	-51.9	0.0	-52.0
BOOK VALUE 31 DECEMBER	0.0	0.0	11.7	0.2	11.9

*) Acquisition cost does not include upward value adjustments

NOTES TO THE BALANCE SHEET

INVESTMENTS

ALKO GROUP INVESTMENTS 2013	HOLDINGS IN GROUP COMPANIES	HOLDINGS IN ASSOCIATES	OTHER SHARES AND HOLDINGS	TOTAL
Acquisition cost 1 January	0,9	2,2	5,2	8,3
Decrease	0,0	-0,2	-0,5	-0,6
Acquisition cost 31 December	0,9	2,1	4,7	7,6
Accumulated write-down and adjustments to capital proportion 1 January	-0,5	-0,4	-0,2	-1,1
Accumulated write-downs on decrease and transfers	0,0	0,1	0,1	0,2
Accumulated depreciation 31 December	-0,5	-0,3	-0,2	-0,9
BOOK VALUE 31 DECEMBER	0,4	1,8	4,5	6,7

INVESTMENTS 2014	HOLDINGS IN GROUP COMPANIES	HOLDINGS IN ASSOCIATES	OTHER SHARES AND HOLDINGS	TOTAL
Acquisition cost 1 January	0,9	2,1	4,7	7,6
Increase	0,0	0,0	0,0	0,0
Decrease	0,0	0,0	0,0	0,0
Acquisition cost 31 December	0,9	2,1	4,7	7,6
Accumulated write-down and adjustments to capital proportion 1 January	-0,5	-0,3	-0,2	-0,9
Accumulated write-downs on decrease and transfers	0,0	0,0	0,0	0,0
Accumulated depreciation 31 December	-0,5	-0,3	-0,2	-0,9
BOOK VALUE 31 DECEMBER	0,4	1,8	4,5	6,7

NOTES TO THE BALANCE SHEET

INVESTMENTS

ALKO OY INVESTMENTS 2013	HOLDINGS IN GROUP COMPANIES	HOLDINGS IN ASSOCIATES	OTHER SHARES AND HOLDINGS	TOTAL
Acquisition cost 1 January	27,6	2,2	5,2	35,0
Increase	0,4	0,0	0,0	0,4
Decrease	0,0	-0,2	-0,5	-0,6
Acquisition cost 31 December	28,0	2,1	4,7	34,8
Accumulated write-down and adjustments to capital proportion 1 January	-0,5	-0,4	-0,2	-1,1
Accumulated write-downs on decrease and transfers	0,0	0,1	0,1	0,2
Accumulated depreciation 31 December	-0,5	-0,3	-0,2	-0,9
BOOK VALUE 31 DECEMBER	27,5	1,8	4,5	33,8

INVESTMENTS 2014	HOLDINGS IN GROUP COMPANIES	HOLDINGS IN ASSOCIATES	OTHER SHARES AND HOLDINGS	TOTAL
Acquisition cost 1 January	28,0	2,1	4,7	34,8
Increase	0,0	0,0	0,0	0,0
Decrease	0,0	0,0	0,0	0,0
Acquisition cost 31 December	28,0	2,1	4,7	34,8
Accumulated write-down and adjustments to capital proportion 1 January	-0,5	-0,3	-0,2	-0,9
Accumulated write-downs on decrease and transfers	0,0	0,0	0,0	0,0
Accumulated depreciation 31 December	-0,5	-0,3	-0,2	-0,9
BOOK VALUE 31 DECEMBER	27,5	1,8	4,5	33,8

Acquisition cost does not include upward value adjustments

NOTES TO THE BALANCE SHEET

	PARENT COMPANY'S HOLDINGS %	HOLDING OF EQUITY EUR 1,000	EQUITY	NUMBER OF SHARES	NOMINAL VALUE EUR/SHARE	SHARES/ HOLDINGS NOMINAL VALUE 31.12.14 EUR 1,000 TOTAL	BOOK VALUE 31.12.14 EUR 1,000	PROFIT/LOSS ACCORDING TO THE LATEST FINANCIAL STATEMENTS EUR 1,000
HOLDINGS IN GROUP COMPANIES								
Kiinteistö Oy Arkadiankatu	100.00		19,679,762.71				27141	0.0
Kiinteistö Oy Puolangan Keskus, Puolanka	50.48	188	372,104.88	275	56.00	15	118	0.0
Kiinteistö Oy Raahen Asemakatu 12, Raahen	57.90	253	436,433.53	14,476	17.00	246	140	0.0
Kiinteistö Oy Vuoksenniskan Harjulanrinne, Imatra	73.08	698	955,070.28	7,308	0.30	2	120	-9.5
TOTAL HOLDINGS IN GROUP COMPANIES		1,138					27,519	
HOLDINGS IN PARTICIPATING INTEREST COMPANIES								
Kiinteistö Oy Enon Kauppakeskus, Enon	37.00	169	455,416.96	259	5.05	1	118	-0.9
Asunto Oy Juvan Myllynkerä, Juva	31.50	151	480,872.40	3,150	0.25	1	150	6.8
Kaavin Yrittäjätalo Oy, Kaavi	23.20	108	465,468.09	348	16.82	6	101	-22.4
Kiinteistö Oy Kaivolankulma, Puumala	36.37	106	291,818.08	2,515	67.28	169	100	0.0
Kiinteistö Oy Kannuksen Torinkulma, Kannus	46.03	332	720,409.78	2,900	1.68	5	155	1.7
Kiinteistö Oy Mantsintie 1-3, Ilomantsi	28.19	110	390,704.55	311	50.46	16	135	4.2
Kiinteistö Oy Nilsinportti, Nilsin	31.49	449	1,425,655.04	1,606	16.82	27	168	0.0
Asunto-osakeyhtiö Pieksälä, Pieksämäki	26.82	164	610,008.46	54,800	1.68	92	84	31.5
Kiinteistö Oy Pulkkilan Kauppakeskus, Pulkila	49.84	230	460,792.05	4,984	0.34	2	70	-1.0
Kiinteistö Oy Saarijärven Paavonaukio, Saarijärvi	29.58	150	506,350.06	392	168.19	66	120	55.2
Asunto Oy Sandelsinkatu 4, Helsinki	24.85	25	99,981.09	6,835	0.34	2	251	-63.9
Kiinteistö Oy Savitaipaleen Torinkulma, Savitaipale	23.00	192	833,700.05	2,300	0.34	1	103	16.7
Kiinteistö Oy Urpala, Rantasalmi	36.88	295	799,022.96	2,950	0.34	1	100	0.0
Kiinteistö Oy Äänekosken Torikatu 5, Äänekoski	36.29	310	853,041.38	450	16.82	8	130	12.7
TOTAL HOLDINGS IN PARTICIPATING INTEREST COMPANIES		2,789					1,785	

NOTES TO THE BALANCE SHEET

	PARENT COMPANY'S HOLDINGS %	HOLDING OF EQUITY EUR 1,000	EQUITY	NUMBER OF SHARES	NOMINAL VALUE EUR/SKARE	SHARES/ HOLDINGS NOMINAL VALUE 31.12.14 EUR 1,000 TOTAL	BOOK VALUE 31.12.14 EUR 1,000	PROFIT/LOSS ACCORDING TO THE LATEST FINANCIAL STATEMENTS EUR 1,000
OTHER SHARES AND HOLDINGS								
Asunto Oy Helsinginkatu 15, Helsinki	17.73			1,773	1.68	3	434	
Kiinteistö Oy Karakeskus, Kouvola	4.60			5,013	0.17	1	7	
Kaukotalo Oy, Helsinki	6.02			407	50.46	21	471	
Kiinteistö Oy Keritori, Kerimäki	9.76			332	1.68	1	63	
Kiuruveden Linja-autoaseman Kiinteistö Oy, Kiuruvesi	14.99			2,514	16.82	42	135	
Kiinteistö Oy Kolarin Ylläs Chalets VII				122			244	
Kontulan Ostoskeskus Oy, Helsinki	9.46			745	68.62	51	673	
Asunto Oy Nilsin Tahkokuuri Chalets B				1,805			178	
Kiinteistö Oulun Kirkkokatu 14, Oulu	1.43			500	16.82	8	17	
Kiinteistö Oy Paltamon Tervahamina, Paltamo	10.00			1,000	1.68	2	100	
Kiinteistö Oy Pyhäsalmen Liiketalo, Pyhäsalmi	16.00			288	1.68	0	101	
Savonlinnan Linja-autoasema Oy, Savonlinna	10.47			1,540	168.19	259	168	
Kiinteistö Oy Siilinjärven Torikalla, Siilinjärvi	19.22			36,520	0.17	6	200	
Tahko Golf Club Aoy, A 597							9	
Tahko Golf Club Aoy, A 1044							9	
Kiinteistö Oy Tampereen Hämeenpuisto 27b, Tampere	1.56			440	17.00	283	38	
Tikkurilan Kauppatalo Oy, Helsinki	10.05			1,130	117.73	133	500	
Asunto Oy Vuorimiehenkatu 33, Helsinki	15.41			4,445	16.82	75	228	
Kiinteistö Oy Ämmäniekvari, Suomussalmi	1.36			3,915	16.82	66	10	
Vierumäki Golf Garden Oy							488	
Vierumäki Golf Garden Oy							38	
Vierumäki Chalets							298	
Luoston Huolto Oy	1.87			28	8.41	0	3	
Luottokunta				1			0	
Suomen Palautuspakkaus Oy	12.50			150			25	
Total other shares and holdings						951	4,437	
Other non-itemised shares and holdings (in telephone companies)							84	
TOTAL OTHER SHARES AND HOLDINGS							4,521	
TOTAL SHARES							33,825	

NOTES TO THE BALANCE SHEET

CASH IN HAND AND ON DEPOSIT	ALKO GROUP		ALKO OY	
	31.12.14	31.12.13	31.12.14	31.12.13
EUR				
Shops' cash registers	12.9	13.7	12.9	13.7
Commercial papers	10.9	8.9	10.9	8.9
Bonds	14.6	25.1	14.6	25.1
Bank accounts	80.1	72.8	79.9	72.8
TOTAL	118.6	120.5	118.4	120.5
BOND MARKET AND BOOK VALUE DIFFERENCE				
Financial securities' market value	15.9	27.4	15.9	27.4
Financial securities' book value	14.6	25.1	14.6	25.1
DIFFERENCE	1.3	2.2	1.3	2.2
INVENTORIES				
Finished products and goods	61.9	67.2	61.9	67.2
Advance payments on inventories	0.4	0.3	0.4	0.3
TOTAL INVENTORIES	62.3	67.5	62.3	67.5
Non-current other receivables	1.6	1.6	1.6	1.6
Other	1.6	1.6	1.6	1.6
Total	1.6	1.6	1.6	1.6
CURRENT RECEIVABLES				
Accounts receivable	15.0	15.3	15.0	15.3
Current receivables (from others)	2.3	7.4	2.2	7.4
Other	0.1	0.1	0.0	0.0
Total	17.3	22.8	17.2	22.8
Current receivables	17.3	22.8	17.2	22.8
MAJOR ITEMS IN PREPAID EXPENSES AND ACCRUED INCOME				
Income tax receivable	1.2	4.1	1.2	4.1
Lunch vouchers and charging of lunch cards	0.1	0.0	0.1	0.0
Social Insurance Institution compensation for occupational health care	0.6	0.6	0.6	0.6
Interest receivables	0.4	0.5	0.4	0.5
Trade invoiced in different period as received	0.0	2.2	0.0	2.2
Other prepaid expenses and accrued income	0.1	0.1	0.0	0.0
Total	2.3	7.4	2.2	7.4

NOTES TO THE BALANCE SHEET

DISTRIBUTABLE EARNINGS	ALKO GROUP		ALKO OY	
	31.12.14	31.12.13	31.12.14	31.12.13
EUR				
Retained profit			16.1	15.5
Profit/loss for financial year			40.8	38.2
Transfer from other funds			0.4	0.4
Total adjustments			0.4	0.4
Distributable earnings			57.2	54.1
CURRENT LIABILITIES				
Accounts payable	143.4	159.3	143.4	159.3
Accrued expenses and deferred income	19.2	19.9	19.2	19.9
Other liabilities	14.3	13.4	14.1	13.4
Advances received	0.0	0.0		
Total	176.9	192.6	176.8	192.6
CURRENT LIABILITIES	176.9	192.6	176.8	192.6
DEBTS TO GROUP COMPANIES				
Accounts payable to Group companies			0.0	
Current accrued expenses and deferred income to Group companies			0.0	0.0
			0.0	0.0
MAJOR ITEMS IN ACCRUED EXPENSES AND DEFERRED INCOME (NON-CURRENT AND CURRENT)				
Payroll timing items, including social insurance costs	17.8	19.0	17.8	19.0
Timing of employer insurance	0.6	0.6	0.6	0.6
Timing of income taxes				
Timing of bank costs and credit card commissions	0.5	0.0	0.5	0.0
Imports in progress	0.1	0.2	0.1	0.2
Scrapping of cash desks	0.2		0.2	
Other current accrued expenses and deferred income	0.1	0.1	0.1	0.1
Total	19.2	19.9	19.2	19.9

NOTES TO THE BALANCE SHEET

ALKO GROUP

CHANGE IN SHAREHOLDERS' EQUITY 2013

EUR	SHARE CAPITAL	OTHER FUNDS	PROFIT FUNDS	TOTAL
EQUITY 1 JANUARY	16.8	3.6	60.3	80.7
Distribution of dividend			-44.0	-44.0
Transfers between items, fund for work welfare		-0.4	0.4	0.0
Real estate companies removed from the Group				0.0
Profit for financial year			38.0	38.0
TOTAL EQUITY 31 DECEMBER 2013	16.8	3.2	54.7	74.7

CHANGE IN SHAREHOLDERS' EQUITY 2014

EUR	SHARE CAPITAL	OTHER FUNDS	PROFIT FUNDS	TOTAL
EQUITY 1 JANUARY	16.8	3.2	54.7	74.7
Distribution of dividend			-38.0	-38.0
Transfers between items, fund for work welfare		-0.4	0.4	0.0
Profit for financial year			40.9	40.9
TOTAL EQUITY 31 DECEMBER 2014	16.8	2.8	58.0	77.6

ALKO OY

CHANGE IN SHAREHOLDERS' EQUITY 2013

EUR	SHARE CAPITAL	OTHER FUNDS	PROFIT FUNDS	TOTAL
EQUITY 1 JANUARY	16.8	3.6	59.5	79.9
Distribution of dividend			-44.0	-44.0
Transfers between items, fund for work welfare		-0.4	0.4	0.0
Profit for financial year			38.2	38.2
TOTAL EQUITY 31 DECEMBER 2013	16.8	3.2	54.1	74.0

CHANGE IN SHAREHOLDERS' EQUITY 2014

EUR	SHARE CAPITAL	OTHER FUNDS	PROFIT FUNDS	TOTAL
EQUITY 1 JANUARY	16.8	3.2	54.1	74.0
Distribution of dividend			-38.0	-38.0
Transfers between items, fund for work welfare		-0.4	0.4	0.0
Profit for financial year			40.8	40.8
TOTAL EQUITY 31 DECEMBER 2014	16.8	2.8	57.2	76.8



NOTES TO THE BALANCE SHEET

OTHER NOTES

Securities given, contingent and other liabilities

Other securities given

EUR	ALKO GROUP		ALKO OY	
	2014	2013	2014	2013
LEASING LIABILITIES				
Payable during the year after the financial year	0.6	0.3	0.6	0.3
Payable later	0.8	0.3	0.8	0.3
Total	1.4	0.5	1.4	0.5
RENTAL LIABILITIES				
Payable during the year after the financial year	15.8	16.8	15.8	16.8
Payable later	4.7	5.8	4.7	5.8
Total	20.5	22.6	20.5	22.6

KEY FIGURES

		ALKO GROUP				ALKO OY			
		2014	2013	2012	2011	2014	2013	2012	2011
Net sales	MEUR	1,180.0	1,175.3	1,207.5	1,172.7	1,179.8	1,175.0	1,207.2	1,172.3
Operating profit	MEUR	50.4	49.1	57.4	66.9	50.5	49.4	57.3	67.0
Proportion of net sales, %	%	4.3	4.2	4.8	5.7	4.3	4.2	4.7	5.7
Profit before extraordinary items, voluntary provisions and income taxes	MEUR	51.2	50.2	58.4	68.9	51.3	50.6	58.3	68.9
Proportion of net sales, %	%	4.3	4.3	4.8	5.9	4.3	4.3	4.8	5.9
Profit before provisions and taxes	MEUR	51.2	50.2	58.7	68.4	51.3	50.6	58.6	68.5
Proportion of net sales, %	%	4.3	4.3	4.9	5.8	4.3	4.3	4.9	5.8
Return on equity, %	%	53.7	48.9	54.0	44.2	53.8	53.0	54.0	44.4
Return on investment, %	%	67.2	64.7	70.0	59.1	67.3	70.6	70.1	59.4
Equity ratio, %	%	30.3	27.8	30.5	31.9	30.5	27.9	30.7	31.9
Current ratio		1.1	1.1	1.1	1.2	1.1	1.1	1.1	1.2
Gross investments in fixed assets	MEUR	6.1	6.9	7.1	7.1	6.0	6.9	7.1	7.1
Proportion of net sales, %	%	0.5	0.6	0.6	0.6	0.5	0.6	0.6	0.6
Average number of personnel during the financial year		2527	2610	2657	2624	2527	2610	2657	2624

FORMULAS FOR THE INDICATORS

Return on equity, %	$\frac{(\text{Profit before extraordinary items} - \text{Income taxes on ordinary operations}) \times 100}{\text{Equity (average*)}}$
Return on investment, %	$\frac{(\text{Profit before extraordinary items} + \text{financial expenses for liabilities}) \times 100}{\text{Balance sheet total (average*)} - \text{non-interest-bearing liabilities (average*)}}$
Equity ratio, %	$\frac{\text{Equity} \times 100}{\text{Balance sheet total} - \text{Advances received}}$
Current ratio	$\frac{\text{Inventories} + \text{Financial assets}}{\text{Current liabilities}}$

*) Averages have been calculated as the averages of the final monthly balances.



THE BOARD OF DIRECTORS' PROPOSAL ABOUT THE DISTRIBUTION OF PROFIT

The Board proposes that EUR 371,409.33 be transferred from other profit funds to non-restricted equity to cover the costs of improving work welfare.

On 31 December 2014, the parent company had EUR 57,239,809.96 in distributable profit funds (EUR 54,055,957.19), of which the profit for the financial year amounted to EUR 40,812,443.44 (EUR 38,164,000.69).

The Board proposes that the distributable funds be distributed as follows:

- distributed as dividend	40,000,000.00 EUR
- retained under equity	17,239,809.96 EUR
	<hr/> 57,239,809.96 EUR

No substantial changes have taken place in the company's financial situation since the end of the financial year. The company's liquidity is good and, in the opinion of the Board, the proposed distribution of profit does not put the company's liquidity at risk.

Helsinki, 6 March 2015

BOARD OF DIRECTORS

Harri Sailas
Chairman

Kirsi Varhila

Sari Aalto-Matturi

Leila Kostiainen

Kuisma Niemelä

Harri Vainio

Jarmo Väisänen

Hille Korhonen
President and CEO

AUDITOR'S REPORT

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

Helsinki, 6 March 2015

KPMG Oy Ab

Lasse Holopainen
APA



STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board of Alko Inc. has studied the company's financial statements and auditors' report for 2014 and proposes to the 2015 Annual General Meeting that the company income statement and balance sheets for the 2014 financial year be approved. The Supervisory Board agrees with the Board of Directors' proposal for disposal of the profits.

Helsinki, 12th of March, 2015

Sari Sarkomaa

Eila Tiainen

Anne Holmlund

Reijo Hongisto

Arja Juvonen

Saara Karhu

Pauli Kiuru

Mats Nylund

Heli Paasio

Leena Rauhala

Markku Rossi

Simo Rundgren



CONTACT

Alko Inc.

PO Box 33, 00181 HELSINKI

Street Address: Salmisaarenaukio 1

Business Identity Code 1505551-4

Domicile Helsinki

firstname.surname@alko.fi

Tel. +358 20 711 11, Mon–Fri 8 a.m–4 p.m