

ALTIA

2016

Corporate Responsibility

ALTIA'S CORPORATE RESPONSIBILITY 2016

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OUR STRATEGY

Altia wants to support and co-create the development of a new, modern and responsible drinking culture.

Let's drink better

Build brand equity, innovate, engage and expand

Strengthen our core Nordic brands

Strengthen our strategic partnerships

Build partners with strong brands and innovation

Megatrends

*Digitalisation
Sustainability
Health consciousness*

*Transparency
Real authenticity
Progressive innovation*

Fund and enable the growth

Execute a step change in wines

Launch smart premium products and innovative packaging & concepts

Expand into new sales channels

Grow export business, retail and e-commerce

Our vision

We are the drinks company that understands consumers and shapes the market to grow share. We create sustainable profit growth by continuously renewing our offering and ways of working.



Our recipe for a new Nordic drinking culture: Let's Drink Better

Altia strives to support and co-create the development of a responsible Nordic drinking culture. This target is crystallised in the company's purpose, Let's Drink Better, which can be seen in its sustainable actions and diverse products.

For Altia, responsible drinking means enjoying reasonable amounts of quality products on special occasions, accompanied by other people and with good food. To achieve this, the alcohol products available need to encourage a drinking culture that emphasises responsible values and quality rather than quantity.

As a leading wine and spirits company in the Nordics and Baltics, Altia has a significant role to play in changing the drinking culture and, therefore, the company has crystallised its purpose: Let's Drink

Better. It is inspired by other Nordic values, such as forward thinking, clean environment and high quality.

According to **Pekka Tennilä**, Altia's CEO, Let's Drink Better means not only working towards a more responsible drinking culture for consumers, but also for being known as a responsible alcohol company.

"For consumers today, it's not enough that the product is produced in a responsible way, but also the brand and the company need to represent responsible values and

be transparent in their operations. We need to offer consumers all the information they need to enjoy our products with a good conscience," Tennilä says.

The basis for the strategic choices

The message behind Let's Drink Better is connected to Altia's strategy and everyday work.

"Let's Drink Better is an essential part of our work and the basis for our strategic choices, from new products to new invest-

ments. Our aim is to have the Let's Drink Better angle as a part of our decision-making right from the start, steering our choices in the right direction, even subconsciously."

The impact of the purpose can be seen in both the production processes as well as in the products themselves. The ingredients and packaging materials are chosen from an environmentally friendly perspective, the amount of waste in production is reduced and local partners are preferred. In addition, Altia has added organic, low-alcohol and non-alcohol products to its selection.

"The purpose has also affected our personnel satisfaction, since the employees can see their work as part of a bigger picture. Consumers too are increasingly interested in how the company treats its employees."

Optimistic view for future alcohol consumption

According to Tennilä, responsible alcohol consumption is heading in the right direc-

tion, even if it is happening in small steps. The alcohol consumption of the younger generation, for example, has considerably decreased throughout the 21st century and the consumption of strong spirits has decreased in general.

"People are more interested in their health and pay more attention to the quality, origin and production of alcoholic beverages. We are quite optimistic about an increasingly responsible alcohol consumption in the future. The new alcohol law reflects this positive change in people's attitude."

One of the main challenges in Altia's responsibility is connected to wines, since a large percentage of the wines are produced in developing countries. Altia is responsible to its customers to make sure the production circumstances are in accordance with strict standards and the value chain is transparent.

However, despite the improved situation in general, there are still problem users who consume alcohol in excess and the regula-

tion of the grey economy continues to prove challenging.

"Since everything is not in our own hands, we need to be in constant dialogue with consumers and stakeholders to guide the Nordic drinking culture in the right direction."



IN BRIEF

Key Figures 2016

356.6 MEUR

Net sales

829

Employees on average

100%

Owned by the State of Finland

90 ML

Produced or imported beverages
(production 65 million liters, import 25 million liters)

192.2 M kg

A record-breaking amount of Finnish barley

42%

Reduced carbon dioxide emissions at the Koskenkorva
plant area from year 2014

100%

Owned by the State of Finland

Reduced carbon
dioxide emissions
42%

356.6

MEUR

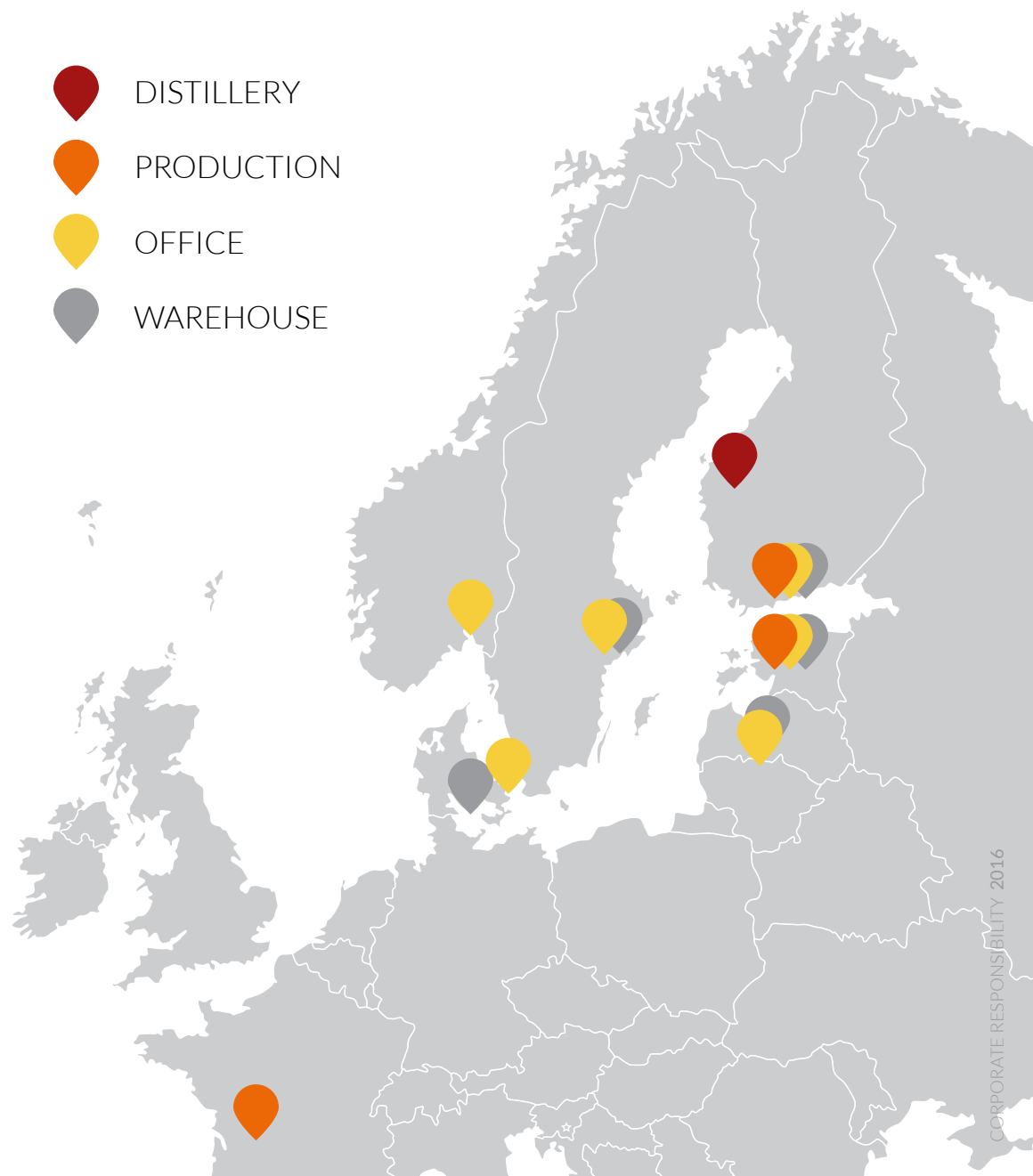
Net sales

Altia in Brief

Altia is a leading wine and spirits company offering quality brands in the Nordic and Baltic countries. Altia produces, markets, sells, imports and exports alcoholic beverages. Sustainability is a crucial business factor for us. We want to enhance a modern, responsible Nordic drinking culture. We have crystallized our purpose as a company: **Let's drink better.**

- Our business model is based on offering a strong portfolio of our own brands and a versatile range of international partner brands as well as providing customers services, which utilize our production, packaging and logistics capacity.
- In addition to the production, export and import of alcoholic beverages, our business operations include industrial products and services.
- We have a strong market position in our home markets, which include Finland, Sweden, Norway, Denmark, Estonia, Latvia and travel retail.
- We export alcoholic beverages to nearly 30 countries, most of which are in Europe. Products are also exported to Asia, North America, the Caribbean and the Middle East.
- Our head office is located in Helsinki, Finland. We have a distillery in Koskenkorva village in Western Finland, bottling plants in Rajamäki village in South Finland and Tabasalu municipality in Estonia, as well as warehouse facilities and offices in our home markets. We are also a significant cognac house with production and aging cellars in Cognac, France.
- Our most significant clients are the Nordic alcohol retail monopolies, international alcoholic beverage companies, alcoholic beverage wholesalers, travel retailers, grocery stores, importers operating in export markets as well as domestic industrial clients.

-  DISTILLERY
-  PRODUCTION
-  OFFICE
-  WAREHOUSE



Events in 2016



Altia decided to divest its feed processing business at Koskenkorva, which will improve the overall efficiency of the Koskenkorva integrated plant.



Altia's eight, and second purely online Responsibility report was launched along with the first Responsibility video.

Altia's first own Fairtrade wine bottled in Rajamäki, Chill Out Genuine & Intense Malbec, was launched in Sweden.

Altia launched a dedicated website for its industrial customers and partners.

The Finnish Government published its new ownership steering policy, defining corporate social responsibility as the core value for state-owned companies.



Altia's Tabasalu plant in Estonia received the ISO 9001:2008 standard certificate. The certification covers the production, storage and distribution of alcohol beverages.

JANUARY

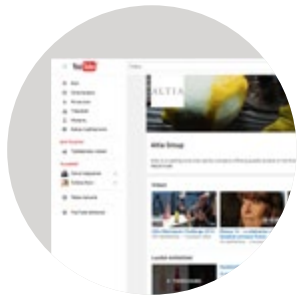
FEBRUARY

MARCH

APRIL

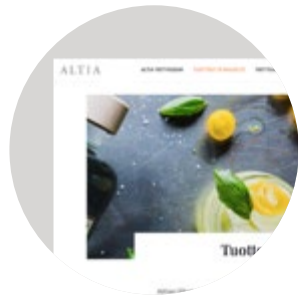
MAY

JUNE



Altia launched Nordic Spirits Lab, a new kind of platform for collaborative experimentation and innovation, which gathers together specialists from inside and outside the drinks industry.

Altia opened a YouTube channel with mainly sustainability content.



Altia's new group website was launched.

Altia launched Cheers! Developer Community in Finland and Sweden, with the purpose conducting stakeholder dialogue and involving consumers in development projects.

A blog series about responsible drinking culture was launched at Altia group's Finnish website.

The license of Altia's Koskenkorva distillery to produce organic grain spirit was extended.

Altia launched a product series to celebrate the 100th anniversary of Finnish independence in 2017. A portion of the sales proceeds of these products will be donated to causes supporting Finnish arts, agriculture and forestry.

Altia Sweden participated in Stockholm Stadsmissionen's Christmas lunch with Blossa glögg. All sales proceedings were donated to Stadsmissionen's work to support the homeless.

Altia decided to join the Finnish industry's Energy Efficiency Commitment and reduce energy consumption by 10 % by 2025.

The results of Altia's annual employee survey, Altia Tasting, showed an overall improvement of 5 percentage points compared to 2015 .

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER



“Consumers seek lower alcohol, more ecological and sustainable products.”

PEKKA TENNILÄ

CEO'S REVIEW

Responsibility at the heart of Altia's strategy

We defined our renewed strategy in a changing business environment. At the heart of the strategy is building a responsible drinking culture. Change always brings both possibilities and challenges. We continue our work in order to be able to provide more sustainable products in the future.

The world around us is changing and consumer behavior with it. There is a strong health trend, focus on quality and authenticity and rise of responsibility. Consumers are seeking for example lower alcohol and more ecological or sustainable products. Digitalization disrupts the sales channels and the pace of change is increasing. In this environment we defined in 2016 [our strategy](#). At the core of the strategy is building a new Nordic drinking

culture in accordance with our purpose as a company – [Let's Drink Better](#).

Changes in local business environment

The Alcohol Act in Finland is undergoing a major reform. We hope that the outcome will enable further development of the

export business, considering that alcoholic beverages make up the biggest share of Finnish food and drinks industry's exports, currently valued at 150 million euros. The legislative proposal published in November seems to include a few moderate, additional market opportunities, which we welcome. In this new environment we, on our part, want to behave responsibly.

“ In the new environment we want to behave responsibly.”

Grey imports of alcohol continue to be a problematic phenomenon throughout our operating area. In worst cases the illicit trade is in the hands of criminal organizations. Grey alcohol flowing across borders is mostly consumed at home and is sometimes sold to under-aged persons, making it difficult to ensure the alcohol is consumed

responsibly. To avoid increasing the attractiveness of grey imports, no new tax increases should take place.

Opportunities and challenges

During 2016 we continued implementing the actions in our current corporate responsibility action plan for 2015-17. In the field of product quality and safety, we continued preparing for ISO22000 certification of the Rajamäki plant, our biggest production site. The plant in Tabasalu received the ISO9001 certification in June. Investments continued at Koskenkorva with the aim of enhancing our capability to produce organic ethanol. In the last quarter of 2016 we opened discussion about responsible drinking culture through [a blog series](#) on our Finnish website, bringing together views of industry experts, researchers, health organizations and politicians. [Responsible wine sourcing, especially from South Africa](#), was raised as a challenge by media in several of our operating countries. To give us more tools to ensure responsible sourcing, we recently decided

to apply for full membership in the Business Social Compliance Initiative.

Way forward

2017 is the final year of our current corporate responsibility action plan. During the first half of 2017 we will plan our objectives and actions for the next years. The planning will also take into account developments since the creation of our current action plan, among others the adoption of the United Nations Sustainable Development Goals and the Paris Agreement on Climate Change.

Pekka Tennilä
CEO



ALTIA'S APPROACH

How we create value?



Steering of Altia's responsibility work

Our responsibility work is guided by our strategy, stakeholders' expectations, our Business Principles and other internal principles and guidelines, as well as the ethical principles of the Business Social Compliance Initiative.

Responsibility topics that affect us as a whole are addressed by Altia's Corporate Responsibility Working Group, whose ten members represent different parts of the organization. The Working Group reports to the Executive Management Team. It is chaired by the Senior Vice President for Partner Business and Export* who is also a member of the Executive Management Team.

Based on a proposal by the Working Group, the Executive Management Team annually approves the actions to be implemented in the following year.

Each EMT member is responsible for the responsibility topics relevant for his/her organization. The concrete actions supporting Altia's responsibility are part of each business' operational plans and their implementation is monitored in the respective management teams.

Performance is monitored with the help of various indicators including, for example, five different environmental indicators from the amount of waste material to water and energy consumption, the sickness absence rate and the accident rate, as well as personnel surveys.

Altia's communications department is in charge of the coordination, development and reporting of corporate responsibility efforts.

Read more: [Materiality analysis](#)

* The new Chairman started in his role in June 2016. Until then the working group was chaired by the Senior Vice President for Commercial Operations.



Stakeholder dialogue

Our stakeholders' perceptions regarding our responsibility are of essential importance to us. They help us develop and prioritize our operations.

We aim to communicate our operations to our stakeholders in an open and transparent manner. During 2016 we continued to develop our communication channels through the following actions:

- Renewal of the Altia group website
- Launching [a blog series about responsible drinking culture](#) on our Finnish website
- Opening a dedicated [website](#) for our industrial customers and partners
- Enhancing our consumer communication in Finland and Sweden by launching a new consumer channel [folkofolk.se](#), renewing the [viinimaa.fi](#) site, as well as launching the [Cheers! Developer Community](#)
- Opening a [YouTube channel](#) with mainly sustainability content
- Continuous communication about responsibility topics and company news on our Finnish Twitter account [@AltiaFI](#), opened in 2015

In addition to day-to-day interaction in the course of normal business, we regularly conduct stakeholder surveys about their perceptions regarding our responsibility. The previous survey was conducted in 2015. Our main stakeholders, their expectations and our engagement channels are presented in the table below.

Issues discussed by the media and by stakeholders during the reporting period included for example the Finnish alcohol law reform, the grey import of alcohol and the impact of taxes thereon (particularly in Sweden, where grey imports represent a major problem), exports of alcoholic beverages and responsibility in wine growing in South Africa.



Altia's stakeholder interaction

STAKEHOLDER	Owner, political decision-makers, public authorities	Business customers	Personnel	Partners	Contract farmers
EXPECTATIONS	<ul style="list-style-type: none"> • economic contribution • compliance with laws and regulations • reducing environmental impacts • responsible supply chain • responsibility towards employees 	<ul style="list-style-type: none"> • cooperation and responsibility towards customers • product quality • advocating a responsible alcohol culture • responsible sourcing • reducing environmental impacts 	<ul style="list-style-type: none"> • responsibility towards employees • product quality and safety • advocating responsible alcohol consumption and marketing responsibly • reducing environmental impacts 	<ul style="list-style-type: none"> • advocating responsible alcohol consumption by marketing responsibly • consumer and market understanding • cooperation and partnership 	<ul style="list-style-type: none"> • using Finnish raw materials and keeping production in Finland • paying a good price for the barley
ENGAGEMENT CHANNELS	<ul style="list-style-type: none"> • reporting • direct contacts • audits • external communications 	<ul style="list-style-type: none"> • direct contacts • electronic channels • customer training • requests for quotation and contracts • fairs and other events 	<ul style="list-style-type: none"> • internal communications • training • development discussions • cooperation procedures • team practices and procedures 	<ul style="list-style-type: none"> • meetings and direct contacts • reporting • newsletters • requests for quotation and contracts • fairs and other events 	<ul style="list-style-type: none"> • meetings, fairs, events and other direct contacts • newsletters • farmer extranet

Altia's stakeholder interaction

STAKEHOLDER	Suppliers of raw materials and packaging materials	Media	Consumers	Non-governmental organizations
EXPECTATIONS	<ul style="list-style-type: none"> reducing environmental impacts using domestic/local raw materials product safety and quality good cooperation and continuity in supplier relations responsible sourcing 	<ul style="list-style-type: none"> product quality and safety advocating responsible consumption reducing environmental impact 	<ul style="list-style-type: none"> advocating responsible consumption and preventing underage drinking product quality and safety responsibility in the value chain reducing environmental impacts 	<ul style="list-style-type: none"> advocating responsible consumption product quality and safety reducing environmental impacts responsible raw materials
ENGAGEMENT CHANNELS	<ul style="list-style-type: none"> meetings, fairs, events and other direct contacts reporting requests for quotations and contracts 	<ul style="list-style-type: none"> external communications direct contacts events 	<ul style="list-style-type: none"> products and marketing external communications consumer surveys fairs and other events consumer feedback 	<ul style="list-style-type: none"> external communications reporting events direct contacts

CASE

How to build a responsible drinking culture?

Altia's blog series launched in October 2016 brings together views from different stakeholders on how to develop the drinking culture.

Altia wants to support the development of a new, modern and responsible drinking culture in its operating countries. This means a drinking culture that is rich, diverse, linked with social life and food culture; it is responsible enjoyment. A culture that aims to minimize alcohol related harm and at the same time support the positive aspects of enjoying drinks with moderation. A culture of combining food and drink, festivities and traditions, enjoying quality and the small oasis of relaxation in life.

Today's consumers enjoy alcohol mostly responsibly. The consumption of strong spirits is on lowest level since the 1960's. Particularly young people's consumption has decreased throughout the 21st century. This positive development should be supported. At the same time, we must take care of harm prevention and referral to treatment to those, who have a problem with alcohol.

Changing a culture doesn't happen fast. We believe that an important factor in driving this change is an open-minded, positive and

future-oriented discussion. To fuel the discussion, we launched on our Finnish website a blog series, in which guest authors from different parts of the society bring their views into the discussion.

"It would be important to see restaurant culture as a normal part of everyday social life and as a feel-good culture"

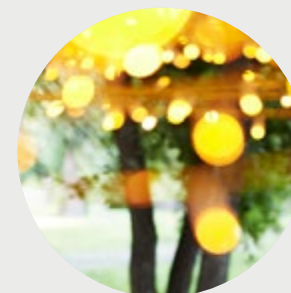
– **Jaana Pelkonen**, a member of the Finnish Parliament

"It is delightful to see that the new generations have found other ways than binge drinking to create a sense of community"

– **Seija Kurunmäki**, head of Elo foundation, a non-profit foundation to promote Finnish food culture

"Responsible alcohol culture could be defined as maximizing the benefits and minimizing the harms of alcohol. The idea is simple, but its implementation often difficult."

– **Antti Mauno**, sociologist who has researched sociability of partygoers



"Information needs to be shared and it needs to be discussed. Attitudes towards alcohol and the resulting alcohol consumption patterns are created in everyday encounters."

– **Kristiina Hannula**, Executive Director of the Finnish Association for Substance Abuse Prevention

"If we hope that the more critical attitude most youngsters have towards alcohol will continue into their adulthood, we need to consciously build a culture where the presence of alcohol is never a necessity."

– **Elsi Vuohelainen**, specialist at Preventiimi, a national knowledge centre for substance use prevention among the youth

Materiality analysis

We have selected the material topics of our responsibility based on stakeholder views and an assessment of their impact to our business. The assessment, originally done in 2013, was updated in 2015.

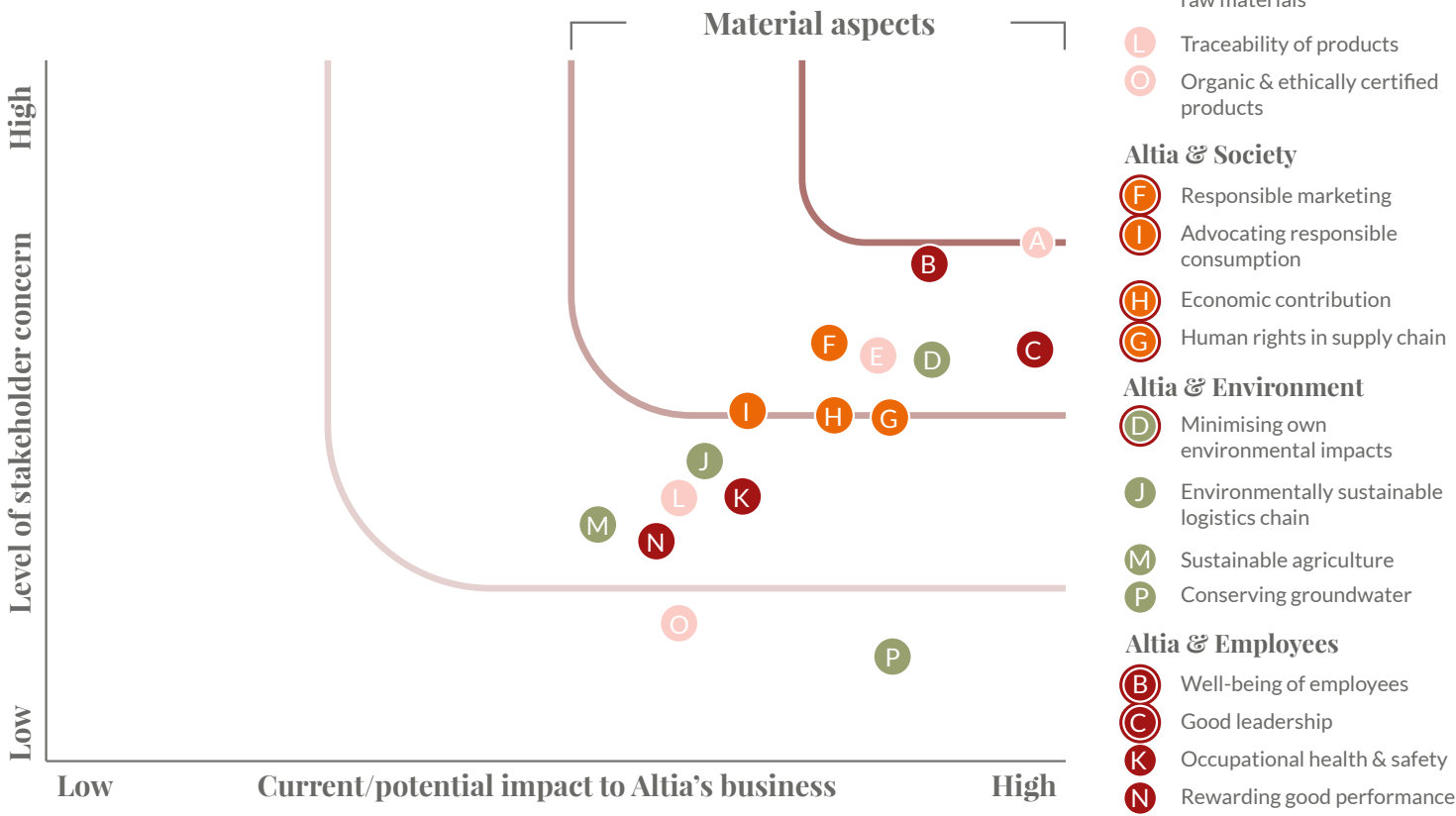
In May 2015, we sent a survey to 2,400 representatives of different stakeholder groups, and the link to the survey was posted on our website. We received a total of 240 responses.

The results were reviewed by our Corporate Responsibility Working Group. In addition, a group consisting of the Chair of the Working Group and the persons responsible for the four cornerstones of Altia's responsibility discussed global megatrends as well as trends related to the development of responsibility in the alcohol industry, and reviewed the requirements of the international GRI reporting framework.

Based on the discussions, we updated our responsibility cornerstones and produced a materiality matrix, which were then approved by our Executive Management Team.

The material aspects include nine themes, which are also the focus of our report. The boundary of each material aspect and the principles or guidelines relevant for managing the aspect are presented in the table below.

MATERIALITY MATRIX



MATERIAL TOPIC	BOUNDARY ¹	MANAGEMENT APPROACH
Product quality and safety	Altia, partners, raw material suppliers	ISO9001 Quality management system ² , Altia Quality Safety and Environment Principles
Using responsibly produced raw materials	Altia, partners, raw material suppliers	Altia Quality Safety and Environment Principles, BSCI Code of Conduct
Responsible marketing	Altia	Altia marketing principles
Advocating responsible consumption	Altia	Altia marketing principles
Economic contribution	Altia	Finnish Corporate Governance Code 2015 ³ , Altia's tax strategy, Government ownership policy
Human rights in supply chain	Altia, partners and raw material suppliers in risk countries	BSCI Code of Conduct
Minimising own environmental impacts	Altia	ISO14001 Environmental management system ² , Altia Quality Safety and Environment Principles
Well-being of employees	Altia	Altia Behaviours
Good leadership	Altia	Altia Behaviours

¹ The boundary indicates whether the aspect is material within the company or outside the company.

² The scope of the certificates applies at Koskenkorva plant, the Rajamäki plant and in the technical ethanol unit, as well as in the support functions, sales and marketing at the Helsinki headquarters.

³ Altia complies with the Finnish Corporate Governance Code 2015 with some deviations decided upon by the Board of Directors. Read more in our [Corporate Governance Statement](#).

Responsibility cornerstones

We have grouped the material aspects of our responsibility under four themes, which are the cornerstones of Altia's responsibility work. In the next section of the report you can read more about our objectives, achievements and work relating to these themes.



Altia & Customers

- Product quality & safety
- Utilizing responsibly produced raw materials
- Traceability of products
- Organic & ethically certified products



Altia & Society

- Responsible marketing
- Advocating responsible consumption
- Economic contribution
- Human rights in supply chain



Altia & Environment

- Minimising own environmental impact
- Environmentally sustainable logistics chain
- Sustainable agriculture
- Conserving groundwater



Altia & Employees

- Well-being of employees
- Good leadership
- Occupational health & safety
- Rewarding good performance

RESPONSIBILITY 2016



Altia & Customers

90 ML	Produced or imported beverages
3 ML	Organic products
0.09 ML	Fairtrade products
4	Recalls
1350	Members in Altia's developer community

Organic products

3 ML

Produced or imported beverages

90 ML

Altia & Customers

Responsibly produced high quality products are our priority.

- Product quality and safety: ensuring the quality and safety of raw materials and end products
- Utilizing responsibly produced raw materials: working with suppliers and partners to ensure products and raw materials are produced in a responsible manner
- Traceability of products: knowing where the raw materials and products come from
- Organic and ethically certified products: developing operations and product portfolio to respond to the demand for certified products



ALTIA & CUSTOMERS

OBJECTIVE 2015–17	PROGRESS 2014–2015	PROGRESS 2016	ACTIONS 2017
Increasing the share of products and materials sourced from suppliers that are certified for food safety and quality	The current certification status of suppliers was determined by a general CSR questionnaire. The preparation of roadmaps for further action began. Quality agreements and material quality specifications were completed for some of the products we purchase.	Quality agreements and quality specifications were extended for various groups of packaging materials.	<ul style="list-style-type: none"> Continue extending quality agreements and quality specifications with the aim of covering all packaging materials
Developing the food safety and quality certification status of Altia's own production plants	HACCP was carried out at the Rajamäki plant in accordance with ISO 22000, covering part of the standards. ISO 22000 certificate gap analysis was completed at the Rajamäki plant. A project was launched to initiate the ISO 9001 certification process at the Tabasalu plant.	Rajamäki continued to prepare for ISO22000 certification. HACCP risk assessment, hygiene and cleaning instructions, instructions for detection and removal of glass chips as well as House rules for employees and visitors at Rajamäki plant were all updated. Floor and other materials were refurbished and hygiene training was arranged for employees. Tabasalu plant received ISO9001-certification in June.	<ul style="list-style-type: none"> Certification of the Rajamäki plant in accordance with the ISO22000 standard Implementing the changes required by revision of the ISO9001 standard at Rajamäki and Tabasalu (for example identifying quality-related KPIs and action plans and assessing quality risks) Analyzing the feasibility of ISO9001 certification in Cognac
Using responsibly produced raw materials	A supplier selection tool is partly in use, with plans to expand its use. Packaging material supplier audits have been carried out according to plan, with further plans in place to expand audits to raw material suppliers. Roadmaps were produced to increase the number of suppliers certified for social responsibility for certain product groups in risk countries.	Packaging material supplier audits were continued and audits of raw material suppliers were started. An increasing share of raw materials are organic.	<ul style="list-style-type: none"> Continue packaging material and raw material supplier audits Implementing Altia Supplier Code of Conduct
Developing the traceability of products	A pilot project was launched to collect traceability information electronically. The aim of the project is to improve the documentation and usability of traceability information.	The pilot project to collect traceability information electronically was continued at Rajamäki.	<ul style="list-style-type: none"> Moving to electronic collection of traceability information at Rajamäki
Increasing the product portfolio of organic and ethically certified products	Rooftop Garden liqueur was launched as the first product manufactured from organic grain spirit produced at the Koskenkorva plant. Fairtrade certification was obtained for wine bottling operations in Rajamäki. Altia's first own Fairtrade wine, Patchwork, was launched in Sweden.	The organic certification of Koskenkorva distillery was continued. The amount of organic end products as well as share of organic raw materials increased.	<ul style="list-style-type: none"> Conducting an audit at Altia's organic ethanol supplier Making Altia's aquavits all organic, if availability of raw materials allow

CASE

Cheers! Developer Community brings consumers closer

The newly launched developer community ensures that the voice of the consumer is heard early in the decision making process. The key benefits are the agility and flexibility the community brings.

In October 2016 Altia launched a developer community called Cheers! to get feedback and help from consumers in building new product concepts, services and brands in different stages of the development process.

Cheers! developer community complements the toolbox Altia currently uses to engage with consumers by providing a direct link to the community members.

“The key benefits of the community are its agility and flexibility, making it possible to get direct consumer input for decision making very quickly”, says **Milla Sorsakivi**, Altia’s Consumer Insight Manager.

Members of the Cheers! community can participate in quick mobile polls and in-depth qualitative research projects and co-creation.

Useful insights quickly

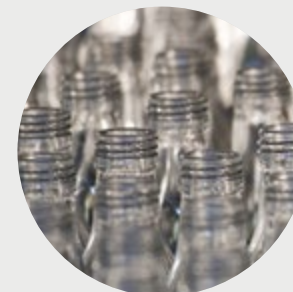
The surveys done via the community have already provided useful insights, which can be utilized in product development work. The community members had, for example,

a possibility to tell, what kind of information they would want to see on wine labels. According to the survey, 21 % of Finnish consumers would like to see more information about ethical issues on the packaging. This includes information for example about organic production and Fair Trade. In Sweden, 13 % of respondents would like to have more information about ecological aspects and 10 % about Fair Trade.

Community well received

The community was launched first in Finland and Sweden. Even though it’s been running for only a few months, the reception has been good especially in Finland, with already around 1000 active members in the community. In Sweden the community has 350 members.

Cheers! developer community makes sure that the voice of the consumer is heard in development projects from the beginning. At Altia, understanding the consumers’ needs and wishes is a key part of developing the business.



The community is open to everyone, who is at least 20 years old and interested in taking part and developing a better drinking culture. Join [here](#)!

CASE

Aiming for all organic production

Altia's Swedish Aquavits are made in the organic certified O.P Anderson Distillery in Sundsvall, Sweden. The site is operated by Unimedic, Altia's trusted partner. The goal is to make the production all organic.

At the beginning of 2017, Altia's new Aquavit distillery, O.P. Anderson Distillery, was opened in Sundsvall, Sweden. The distillery is operated by Altia's partner, Unimedic, who performs the key stages of production of the Swedish Aquavits sold by Altia.

"Unimedic is responsible for all daily operations, whereas Altia is responsible for the follow-up and development and has invested in the production equipment. The responsible people from Unimedic have visited Altia's Rajamäki plant to observe and learn about Aquavit production," says **Stefan Mårtensson**, Altia's Operations Manager and contact person to Unimedic.

"We are building a long-term relationship, and with our know-how and experience we want to create pride in Altia's products. Currently, we have three people from Unimedic working at the site, but we are planning on training more people to add flexibility," states Plant Manager **Staffan Nordensson**, Altia's contact person at Unimedic. The aquavit production process at the dis-

tillery includes extraction and distillation of spices, blending of ingredients and maturation. From there, the Aquavit concentrates are delivered to Altia's Rajamäki plant, where neutral ethanol and water are added. After a mild filtration, the product is finally bottled.

Organic products with handcrafted methods

The main reason for establishing the distillery was to ensure the continuity of the Swedish origin of Altia's Swedish Aquavits. Aquavit is a traditional Nordic spiced spirit with a main taste of caraway or dill seeds.

The distillery makes spice distillates and extracts and blends them to concentrated aquavits and other spiced spirits. Some of these are also matured in oak casks and vats for time periods that vary between a couple of months to several years.

All the products in the distillery are made with handcrafted methods from real spices, herbs



and fruits. The main part of the production is organic, so the plant has an organic certification.

"This is not yet common in the drinks industry, especially in spirits production. There is a growing demand for organic food and the interest has spread to alcohol products too, and especially to organic wines. Now the interest has also continued to organic spirits," says **Jonas Odland**, Altia's Aquavit master blender.

The aim is to make the distillery production all organic using only organic ethanol, herbs, spices, and other ingredients.

"It is a challenge, since some of our ingredients and spices are not yet available in organic form or don't yet fulfill our strict quality requirements. Fortunately, this is constantly improving. The more the consumers use organic products, the more such products will be available. And we want to be a part of increasing the availability," Odland says.

Great interest throughout the region

The distillery was built by extending Unimedic's current factory. It is located in a new building in the pharma factory area alongside Unimedic's current operations.

"The space is about 1,000 square metres and filled with spices, brand new copper pot stills, oak vats, casks and other production equipment. It is possibly Altia's best looking production site!" Odland exclaims.

According to Mårtensson, there is great interest in the distillery throughout the Sundsvall area.

"Everyone feels proud of being part of this, so the feedback has been very positive. People are happy that the cooperation is bringing new business into the area, even if it is happening on a smaller scale. There has, for example, been initial inquiries into organising tourist visits that combine a tour at the distillery."



8.6
MEUR
Investments

36.6
MEUR
Salaries paid by Altia

Altia & Society

466 MEUR

Excise and income taxes

797

Skilled employees

197 MEUR

Value of purchased raw materials,
goods and services

12%

Share of total barley harvest in Finland

2

Social responsibility audits

Altia & Society

We participate in public dialogue and advocate a responsible drinking culture.

- Responsible marketing: compliance with applicable laws, regulations and industry codes in each operating country
- Advocating responsible consumption: communication and cooperation with industry operators to advocate a responsible drinking culture
- Economic contribution: generating economic value added in our operating area
- Human rights in the supply chain: cooperation with other supply chain operators to promote good working conditions



ALTIA & SOCIETY

OBJECTIVE 2015–17	PROGRESS 2014–2015	PROGRESS 2016	ACTIONS 2017
Developing guidelines and tools to further ensure responsibility in marketing	Marketing guidelines, principles and process description were developed and implemented. Training was organized on applicable alcohol legislation and changes thereto.	A decision was made to include responsibility statements in marketing communications. Training about marketing in social media was arranged together with other industry actors.	<ul style="list-style-type: none"> Enhancing the consistent use of responsibility statements If needed, organizing internal trainings about applicable legislation
Advocating responsible consumption	Altia's perspective on responsible alcohol consumption was launched. The decision was made to begin the systematic use of "Enjoy responsibly" or a similar statement in marketing communications in all of Altia's markets. In Finland, Altia's communications utilize the industry's joint website at nautikohtuudella.fi .	Information about the health effects of alcohol was added to Altia's website.	<ul style="list-style-type: none"> Launching a policy about alcohol consumption applicable to all Altia employees and everyone working on Altia's production sites or offices
Generating economic value added	In 2015*, Altia employed 842 (949) people, of whom 470 (498) worked in Finland. Income taxes amounted to EUR 3.9 million (1.2) and the excise taxes paid for products sold by Altia totalled EUR 470.2 million (485.2). Altia purchased 191 million kilograms of Finnish barley, which is about 15 percent of the total Finnish barley harvest. *December 31, 2015	In 2016*, Altia employed 797 persons, of whom 448 worked in Finland. Income taxes amounted to EUR 2.9 million and the excise taxes paid for products sold by Altia totalled EUR 463.4 million. Altia purchased 192.2 million kilograms of Finnish barley, which is about 12 % percent of the total Finnish barley harvest. *December 31, 2016	<ul style="list-style-type: none"> Altia continues to implement its strategy, developing its business and aiming at improving profitability, productivity and flexibility for example by investing heavily in the Rajamäki and Koskenkorva production sites.
Respecting human rights in the supply chain	A BSCI (Business Social Compliance Initiative) audit was conducted, commissioned by Alko, on a supplier in Trinidad and Tobago in 2015. Two re-audits were performed due to shortcomings in the first audit. BSCI references and the BSCI Terms of Implementation to be signed by the supplier were updated for use in new supplier contract templates and the process of updating them in existing supplier contracts has begun.	BSCI audits, commissioned by Alko, were conducted in Guyana and in Mendoza, Argentina. The suppliers created action plans to correct the non-conformities identified in the audit. The updating of contracts with suppliers and partners as well as requesting the signature of the BSCI Terms of Implementation by suppliers and partners was continued.	<ul style="list-style-type: none"> BSCI re-audits are planned to be conducted in Guyana and Argentina, and new audits in Chile. The audits are commissioned by the alcohol retail monopolies. Launching of Altia Supplier Code of Conduct

Altia's role in society

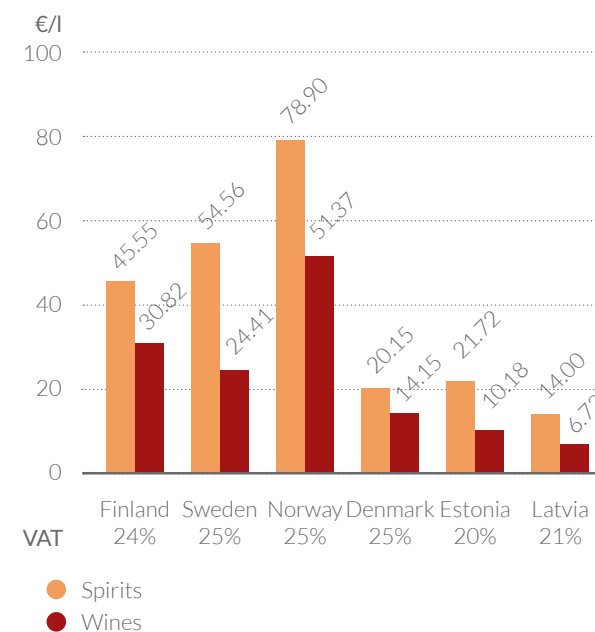
Altia's business operations have a significant impact on various areas of society.
Altia is a responsible taxpayer in all of its operating countries.

- In 2016 Altia paid excise and income taxes to society **EUR 466,3 million** (EUR 474,1 million).
Excise taxes are not included in Altia's reported net sales.
- Share of excise and income taxes paid in Finland **EUR 241,4 million** (EUR 246,3 million).
- Altia paid salaries, commissions and other indirect costs to its employees **EUR 36,6 million** (EUR 54,7 million).
- Altia bought raw material, goods and services from local and international suppliers **EUR 197,0 million** (EUR 216,2 million).
- Altia purchases Finnish barley mainly from its 1,500 contract farmers with **EUR 26,9 million** (EUR 31,7 million).
- Altia receives revenues **EUR 356,6 million** (EUR 380,4 million) from the sales of alcoholic beverages as well as industrial services, feed, starch, technical ethanol and carbon dioxide.
- Altia made investments to develop its business operations with **EUR 8,6 million** (EUR 11,3 million).
- Dividends to shareholders **EUR 10,4 million** (EUR 10,4 million)*

*The proposal of the Board of Directors to the General Meeting for the amount of dividends.

TAXATION OF ALCOHOL VARIES BY COUNTRY

Alcohol excise duty per litre of pure alcohol (€) and VAT%



The alcohol tax is calculated per one litre of pure alcohol. For wines the tax is calculated using wine with an alcoholic strength of 11% vol. as an example.
Source: veronmaksajat.fi, Altia

Altia's tax strategy

We comply with local and international laws and regulations in paying, collecting, remitting and reporting taxes. As regards transfer pricing, we comply with local laws and the OECD transfer pricing guidelines.

Altia is a responsible taxpayer in all of its operating countries (Finland, Sweden, Norway, Denmark, Estonia, Latvia, and France). In addition, the company aims to promote the Group's strategic development and support business operations, as well as ensure their proper implementation also from the tax perspective. The management of tax-related matters is centralized at the Group level, where tax-related decisions are made. In ambiguous situations, Altia consults tax advisors, and verbal or written guidance may be sought from the tax authorities to clarify tax practices. It is important for us to comply with all applicable local and international laws and regulations in paying, collecting, remitting and reporting taxes. The principle is to pay taxes in the country in which the income was earned.

Altia does not operate in tax havens as defined by the OECD¹, and we do not practice tax planning aimed at artificially decreasing the taxable profit of the Group or an individual operating country. Practices such as the granting of group contributions within companies operating in the same country,

or deducting a subsidiary's tax losses in taxation, are normal tax planning practices that are carried out within the limits allowed by law in each country.

As regards transfer pricing, we comply with local laws and the OECD transfer pricing guidelines. The arm's-length principle is applied to intra-group transactions relating to products, services, intellectual property rights and financing. As a result of the BEPS (Base Erosion and Profit Shifting) project, tax questions have received more attention. Transfer price documentation and the transparency of reporting play an increasingly important role. During the reporting year, internal operating models were specified in more detail and the transfer price documentation was supplemented. The APA (Advance Pricing Arrangement) negotiations between the Danish and Finnish tax authorities, initiated in 2014 and relating to the relocation of production from Denmark to Finland, were completed in 2016.

Altia pays and remits a number of different taxes, with the excise tax being the most

important. Excise taxes are not included in the company's reported net sales. In addition to income tax, the taxes paid by Altia include employer contributions and real estate taxes. In addition to the excise tax, the most important taxes remitted by Altia include value-added tax, withholding taxes deducted from wages and salaries, and taxes at source.

Altia is owned by the State of Finland, and we follow the guidelines issued by the Finnish Ownership Steering Department in the Prime Minister's Office for country-by-country tax reporting of state-owned companies. A summary of taxes and contributions in accordance with the guidelines is included below. The summary is based on information collected from the Group's accounting systems and includes the material taxes and contributions grouped by tax type. Pursuant to the guidelines, Altia applies the materiality principle in its tax reporting. Accordingly, country-specific information on taxes is presented for Finland and Sweden. They constitute the company's main markets, with approximately 80% of its

net sales coming from these two countries. Altia's other operating countries (Norway, Denmark, Estonia, Latvia, and France) do not meet the materiality threshold of 10% of consolidated net sales for countries to be reported on separately, and are therefore presented collectively.

¹ According to the OECD, a tax haven is a country or jurisdiction that imposes nominal taxes or no taxes at all, is not willing to participate in international exchange of information, does not require companies registered in them to actually engage in business operations in their area, and is lacking in transparency.

Altia's tax footprint

State Ownership Steering Department, report on tax footprint

	Data for the financial year 2016				Data for the financial year 2015			
	TOTAL	Finland	Sweden	Other countries	TOTAL	Finland	Sweden	Other countries
Taxes paid for the financial year, EUR million								
Income taxes	2,9	2,8	-0,4	0,5	3,9	1,4	2,4	0,1
Real estate taxes	0,3	0,2	0,1	0,0	0,3	0,2	0,1	0,0
Employer contributions	12,0	7,8	3,9	0,2	11,5	7,7	3,4	0,4
Taxes collected for the financial year, EUR million								
Value added taxes, sales	238,3	121,4	76,2	40,7	242,4	124,9	78,8	38,7
Value added taxes, purchases	82,3	45,6	20,5	16,3	88,1	48,6	21,3	18,2
Excise taxes	463,4	238,6	147,3	77,5	470,2	244,9	150,9	74,4
Payroll taxes	12,9	7,5	2,6	2,8	13,8	7,7	2,3	3,7
Any other taxes (incl. withholding taxes)	1,0	0,2	0,7	0,1	1,0	0,2	0,7	0,1
Net sales by country, EUR million	409,3	223,9	98,7	86,7	432,6	235,1	101,8	95,7
Profit/loss before taxes by country, EUR million (local)	Local	15,4	-1,6	4,6	Local	12,1	4,2	2,0
Personnel by country*	797	448	125	224	842	470	131	241

The table contains the most significant taxes and tax-like fees, which the company is liable to pay or collect in accordance with the local legislation.

Other countries' (Norway, Denmark, Estonia, Latvia and France) figures are presented collectively, because individually they do not meet the materiality threshold of 10 percent of consolidated net sales.

*Situation on December 31, 2016

Responsible sourcing

Altia purchases different types of products and services from around the world. Our suppliers and partners and their sub-suppliers are a key part of our supply chain.

In 2016 our purchases amounted to 242,8 MEUR in value. 72 % of the total is sourced from EU countries or Norway, Finland being the single largest sourcing country with a share of 36 %. In total 7 % is sourced from risk countries as identified by the Business Social Compliance Initiative (BSCI).

Sourcing of wines, raw materials, packaging materials and finished goods

We purchase wines, barley and other raw materials and packaging materials for our proprietary brands from suppliers, as well as finished goods from our partners.

We purchase barley from 1,500 contract farmers in Finland, directly or through grain traders. We also encourage our contract farmers to optimize the efficiency of their operations and use production inputs sensibly, for example, as part of our BSAG commitment made in 2015 aimed at protecting the Baltic Sea.

We require compliance with the BSCI's ethical principles from our wine, raw materials and packaging materials suppliers and

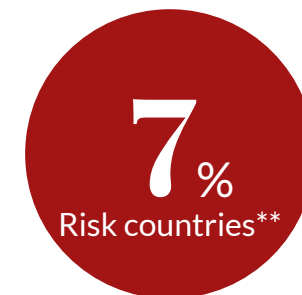
partners. In addition, they fill in our Corporate Social Responsibility questionnaire. The biggest sourcing countries of wines for Altia's proprietary brands are Australia, USA, Chile, South Africa, Spain and Hungary. For raw materials and packaging materials, the biggest sourcing countries are Finland, Sweden and Germany. The most significant origins of our partners' products are France, Italy, South Africa and USA.

Social responsibility audits are conducted at our suppliers and partners within the BSCI framework. The audits focus on BSCI risk countries and are commissioned by the Nordic alcohol retail monopolies, who are members of the BSCI. In 2016, new audits were conducted in Guyana and Argentina.

We conduct our own audits at raw material and packaging material suppliers, which focus on quality but also cover corporate responsibility topics. In 2016, four such audits were conducted.

Indirect sourcing

When sourcing different goods and services, which are not part of Altia's end products,



* Some EU member states are also considered risk countries. The figure also includes purchases from Norway.

**Risk countries as listed by the BSCI (Business Social Compliance Initiative)

The figures do not include purchases between Altia companies.

Compared to previous reports, the 2016 figures have been updated to include also indirect sourcing. Figures comparable to the ones in our 2015 report are: Finland 30 %, the EU 80 %, risk countries 9 %.

product safety is ensured through documentation. The fulfilment of the contractor's obligations and liabilities is ensured by requiring suppliers to register into Suomen Tilaajavastuu Oy's Reliable Partner service. We are also a member of Nordic Source, a co-operative society for joint purchases, where responsibility topics are also discussed.

Altia Supplier Code of Conduct

We have created its own Supplier Code of Conduct for suppliers and subcontractors. Starting in 2017, the Code of Conduct will be made an integral part of contracts with suppliers.

CASE

Working conditions at South African vineyards investigated by media

A group of journalists reported shortcomings in working conditions at South African vineyards, including one of Altia's wine suppliers. The case helped us identify areas, where we need to improve our practices.

During the second half of 2016, a group of journalists investigated working conditions at vineyards in South Africa for a documentary that was aired in October in Sweden, Finland, Norway and Denmark. The investigations also covered one of Altia's wine suppliers in South Africa. According to the documentary there were serious shortcomings for example when it comes to housing conditions and the level of and deductions made from wages.

We take the allegations seriously and started discussions with the relevant supplier as soon as we received information about possible violations of the principles in the BSCI Code of Conduct from Systembolaget, the retail monopoly in Sweden. As a supplier to the Nordic retail monopolies, we comply with and require our suppliers to comply with the BSCI Code of Conduct.

In October, our representative visited the relevant producer, as well as other Altia's suppliers in South Africa, making clear our expectations when it comes to responsibility. We also cooperates with other wine

importers in Sweden to help the relevant South African producers in creating an action plan for solving those issues, which the BSCI audits conducted before and after the documentary proved to be true. The audits were commissioned by Systembolaget.

Meanwhile, our supplier has already taken corrective actions including improving the housing conditions and creating procedures for the workers to be able to report issues relating to house maintenance.

Useful learnings for the future

Many of the audits done in the past at our wine suppliers have showed shortcomings that were relatively easy to correct, for example relating to monitoring of working hours, implementation of the principles in the supply chain, the use of personal protective equipment and first aid readiness. The findings in South Africa marked the first time when more significant deviations from the BSCI's principles were found, and as such it was a valuable learning case for us.



As a result, we have identified the need to make our practices and tools for evaluating our suppliers' responsibility more comprehensive and consistent, whenever we start working with a new wine supplier or when our people visit existing suppliers. This work will commence in 2017.

CASE

Nordic Alcohol Summit

Grey import and unrecorded alcohol consumption were the topics of discussion in a first ever Nordic Alcohol Summit.

The first Nordic Alcohol Summit (NAS) was held in Stockholm on November 17, 2016. The Nordic Council was the sponsor of the summit and the participants included a number of decision-makers, officials, representatives from the police and customs, and alcohol industry representatives from the Nordic countries.

The summit discussed grey import and alcohol consumption that is not included in any statistics. These are significant phenomena in the Nordic countries and they have serious side effects. Minors have access to grey alcohol, it is sold in restaurants and consumed at home, which may increase excessive use of alcohol. However, possibly the most significant consequence is the fact that Nordic governments lose up to over one billion euros of tax income each year because of grey import.

Tax differences in the background

Grey import is motivated by significant differences in alcohol tax between two

neighboring countries. In our Nordic market area, for example, Danes import alcohol from Germany, Swedes from Germany through Denmark, and Finns from Estonia. Estonia has raised its alcohol tax, which has increased cross-border trade from Latvia. The alcohol tax level is still low in Latvia.

Preben Hansen, the head of Danish customs, said that the high alcohol tax level in the Nordic countries encourages criminals. Increases in the tax level increase illegal activity.

High profits and low risks in Sweden

In Sweden, importing and selling grey alcohol is an organized business and, to some extent, in the hands of criminal organizations. **Pia Bergman**, coordinator from the Swedish tax office, Skatteverket, estimated that criminals earn up to 150,000 euros with one truckload of alcohol. This money may be directly invested in the financing of criminal activity – “You can buy 150 Kalashnikovs with the money,” Ms Bergman says.



The former chief of Swedish customs and police, **Björn Eriksson**, says that criminals have recognised the good earning opportunities and low sanctions for illegal alcohol import compared with activities such as the drugs and weapons trade.

The Swedish Minister of Home Affairs, **Anders Ygeman**, demanded efficient intervention with the problem and measures to make criminal activity more difficult. Each year, Sweden loses approximately 200 to 300 million euros of tax income because of grey import.

Consumers' attitudes should also be changed: they may see grey imports as a great opportunity to save money, and many do not see anything wrong in organized grey import.

In Finland, common practice affects tax income

In Finland, the annual import of alcohol amounts to approximately 72 million liters

(2015), corresponding to the annual sales of some 200 Alko stores. Twenty percent of the total consumption is not within the scope of taxation and supervision.

Finland loses approximately 300 million euros of tax income each year because of alcohol imported from Estonia, while it has to pay for the adverse effects. Travelling to Estonia to buy alcohol for weddings, birthday parties, and other celebrations has become common practice.

Compared with Sweden, alcohol imports are not so much associated with criminal activity in Finland. However, some of the importers are professionals who frequently import considerable amounts of alcohol. The Finnish Customs have been able to intervene with professional import through means such as intensive monitoring in 2015.



42%
Reduced carbon dioxide emissions

Altia & Environment

192.2 M kg

Finnish barley

1,500

Contract farmers

56%

Self-sufficiency in fuels for steam production

42%

Less CO2 emissions

1

BSAG commitments to protect the Baltic Sea

99.5%

Average waste utilization rate



Altia & Environment

We reduce our environmental impact and promote sustainable agriculture.

- Minimizing our environmental impact: developing our operations and products with the aim of minimizing environmental impact
- Environmentally sustainable logistics chain: cooperating with suppliers and partners to ensure the environmental sustainability of the logistics chain
- Promoting sustainable agriculture: cooperation with suppliers to promote sustainable agricultural practices
- Groundwater conservation: Protecting the groundwater resources at the Rajamäki plant



ALTIA & ENVIRONMENT

OBJECTIVE 2015-17	PROGRESS 2014-2015	PROGRESS 2016	ACTIONS 2017
Reduce energy consumption	The energy consumption indicator decreased from 2014. Energy efficiency reviews were completed in late 2015. Plant-specific targets for the reduction of energy consumption were set for 2016-2018. The bioenergy power plant at the Koskenkorva plant improved its fuel self-sufficiency from 20% to 46% and helped the Koskenkorva plant to reduce its fossil carbon dioxide emissions by 35%.	The energy consumption indicator remained unchanged from 2015. The Koskenkorva plant reduced its energy consumption relative to production by 18.4%. The energy efficiency measures commenced in Rajamäki will not have an effect on energy consumption until in 2017. The bioenergy power plant at Koskenkorva improved its fuel self-sufficiency to 56 %. CO2 emissions have reduced by 42 % compared to 2014.	<ul style="list-style-type: none"> Further improving the energy efficiency of production plants and implementing planned energy saving measures to achieve the target. Energy saving measures include for example the replacement of air supply units in Rajamäki.
Reduce water consumption and improve wastewater quality	Water consumption relative to production decreased at every production facility. The objective for improving wastewater quality was not achieved, as the indicators increased at the Rajamäki and Koskenkorva plants. The Rajamäki plant's monthly average for the biochemical oxygen demand of wastewater exceeded the limits specified in the environmental permit twice in 2016, while the limit for the amount of solids in wastewater was exceeded three times. Following these instances, the plant has improved the biological treatment of wastewater. At Koskenkorva, the environmental permit limits for biochemical oxygen demand and solids in wastewater were exceeded once. Altia signed the Baltic Sea Action Group commitment in May 2015.	Water consumption relative to production decreased at the Koskenkorva and Tabasalu plants and increased at the Rajamäki plant. The Rajamäki plant has invested in increasing the level of production hygiene, which in turn has increased the use of water for purposes such as washing. Wastewater quality was improved in Koskenkorva and Rajamäki alike. The wastewater quality-related monthly average limit specified in the environmental permit was exceeded twice in Rajamäki.	<ul style="list-style-type: none"> Continuing measures to reduce the use of water and improve wastewater quality. These include modernizing the circulation washing system in the bottling facility and replacing water with compressed air when moving wine into tanks in Rajamäki.
Reduce the amount of waste and improve recycling	The environmental indicator for reducing the waste volume was higher in 2015, due to a change in the reporting method for waste alcohol at the Rajamäki plant. Therefore, the indicator is not comparable with readings from previous years. Bottle types and transport boxes were harmonized. Lightweight plastic PET bottles were launched in spring 2015.	The absolute amount of waste from Rajamäki and Tabasalu decreased, but the results of the efforts to improve the indicator relative to production did not achieve the target. Packaging policy was created to determine the degree of tailoring or harmonization depending on brand profile.	<ul style="list-style-type: none"> Investigating possibilities to reduce liquid and bottle wastage during production in Rajamäki Implementing the new packaging policy Continue actions to further decrease used or scrapped packaging material, for example by harmonizing bottle and closure types
Increase the use of recycled materials in packaging and improve recyclability	Aluminum bottle capsules were replaced with plastic ones. 95.5% of the capsules of PET bottles are made from plastic. Recycled glass is used for all glass bottles. The proportion of recycled glass varies; in colored glass it is 70-90% depending on the color, and in colorless glass it is 25-70% depending on the type of glass.	Rajamäki has moved to 100% plastic bottle capsules. Recycled glass is used in all glass bottles.	<ul style="list-style-type: none"> Continuously investigate new possibilities
Promote sustainable agriculture	Our Baltic Sea Action Group commitment includes a commitment to promote sustainable agriculture and reduce our water consumption. Altia supports its grain suppliers in various ways, including the Ohraweb online service that provides farmers with quantity and quality information for batches delivered, but also data on the nitrogen and phosphorus collected along with the batch.	The guidelines of the Finnish Cereal Committee (VYR) on good production and storage practices were published in October 2016.	<ul style="list-style-type: none"> Including the VYR guidelines in the agreements signed with grain suppliers Continuing cooperation with farmers and the Baltic Sea Action Group

Altia's environmental impacts

Altia's environmental impacts relate mostly to Altia's own production operations at the Koskenkorva and Rajamäki plants in Finland, and the Tabasalu plant in Estonia. The production volume at the facility in Cognac, France and related environmental impacts are significantly smaller compared to the other plants and therefore the facility is excluded from the environmental indicators. A decision about whether to extend the indicators to Cognac will be made in 2017.

In 2016 (2015), the Rajamäki plant in Finland produced 60.9 (64.4) million liters of spirits and wines, the Tabasalu plant in Estonia 4.8 (5.0) million liters, and the Cognac site in France 1.0 (1.3) million liters.

Altia is a significant buyer of domestic barley in Finland. In 2016 (2015), Altia purchased 192.2 (190.7) million kilograms of barley for its Koskenkorva distillery, mainly from the 1,500 contract farmers. This volume represents approximately 12 percent of Finland's total barley harvest and 26 percent of the barley sold in Finland. The barley was used to produce 22.5 (22.6) million kilos of grain spirit, 57.5 (55.3) million kilos of starch and 55.4 (62.3) million kilos of raw material for animal feed¹. Altia encourages its contract farmers

to optimize the efficiency of their operations and use production inputs sensibly, for example, as part of Altia's BSAG commitment made in 2015 aimed at protecting the Baltic Sea.

Koskenkorva distillery's bioenergy power plant, which began its full-scale operations in January 2015, uses barley husk as its primary fuel. The use of renewable fuel has helped the Koskenkorva plant reduce its fossil carbon dioxide emissions by 42 percent and increase its self-sufficiency in terms of fuel in steam generation to 56 percent compared to the year 2014. In 2016, a preliminary permit was received for the use of ash from the biopower plant as fertilizer. Thus, it can be used without processing on fields, also in groundwater areas.

Altia increases the efficiency of its logistics by combining the volumes of Altia's own products and its partners' products as well as by operating close to customers.

¹ Altia divested its feed processing business starting 1 April, 2016. Due to this change we now report the amount of raw material for animal feed instead of animal feed. The figure for 2015 has been changed accordingly.

ALTIA'S CONSUMPTION OF MATERIALS AND RAW MATERIALS

	2016	2015	2014
Liquids			
Liquid raw material, beverages (m ³)	65 076	73 140	80 270
Liquid raw material, technical products (m ³)	15 270	15 260	14 200
Materials			
Barley (t)	192 200	190 700	190 500
Packaging material (t)	32 737	37 959	41 657
Raw materials for products (t)	4 732	5 254	4 477
Trading products			
Liquids (m ³)	24 960	25 534	30 614
Packaging material (t)	9 433	9 946	12 470

Altia's environmental targets and proactive measures related to environmental incidents

Altia's key environmental impacts are defined in assessments of environmental aspects conducted at three-year intervals. In the assessment conducted in 2015, the most significant environmental impacts were identified as [energy consumption](#), [water consumption](#), waste water, waste generation and product wastage leading to quality costs.

Environmental indicators were defined to support the reduction of the most significant environmental impacts, with plant-specific reduction targets set for the three-year period 2016–2018. The achievement of environmental targets is monitored on a monthly basis by means of environmental indicators. Actions to reach the environmental targets are defined for each production plant in the environmental programs prepared on an annual basis. The environmental objectives of the Koskenkorva plant were updated in 2016 to correspond to the situation following the divestment of the feed processing business.

An environmental risk assessment was conducted in late 2015 for the Rajamäki plant. Based on the assessment, a proactive plan was produced to support the prevention of

potential environmental incidents and emissions. Measures included in Altia's proactive plan were implemented in 2016 to eliminate or mitigate major risks. These measures included increasing camera monitoring at the wastewater pumping station and the waste disposal station, checking the condition of the stormwater drainage system by filming and installing an emergency shutdown device in the stormwater drain.

Environmental indicators 2014–2016

In the environmental indicators, the figures for the Koskenkorva plant are presented separately and the other plants are combined due to the fact that the environmental indicators for Koskenkorva are calculated per tonne of barley, while those of other plants are calculated per cubic meter of product. As the indicators were calculated per production volume, lower production volumes in 2016 increased the values of the indicators.

Environmental target	2016		2015		2014	
	Koskenkorva ²	Rajamäki and Tabasalu ¹	Koskenkorva	Rajamäki and Tabasalu ¹	Koskenkorva	Rajamäki, Tabasalu and Svendborg
Reduction of energy consumption (MWh/m ³ of product or tonne of barley)	0.71	0.34	0.87	0.34	0.88	0.36
Reduction in the use of water (m ³ /m ³ of product or tonne of barley)	2.79	1.47	3.90	1.45	4.16	1.58
Improvement in the quality of wastewater (kg COD/m ³ of product or tonne of barley) ³	1.97	2.71	2.54	2.96	1.90	2.20
Reduction in waste volume (kg/m ³ of product) ⁴	-	49.22	-	47.52 ⁵	-	30.32
Reduction in the disposal of alcohol (kg/m ³ of delivered product) ⁶	-	-	-	3.80	-	4.42

¹ As production operations were discontinued at the Svendborg plant in 2015, the environmental indicators for 2015 and 2016 exclude Svendborg.

² The feed processing business of the Koskenkorva plant was divested starting 1 April, 2016. The indicators for 2016 are reported for the full year without the feed processing business and thus they are not comparable with the figures for 2014 and 2015.

³ The waste water quality indicator is not monitored at Tabasalu.

⁴ The indicator for waste volume is not monitored at the technical ethanol unit in Rajamäki and the Koskenkorva plant, as it is not relevant to the units in question.

⁵ The reporting method for the volume of waste alcohol used in the calculation of the waste volume was changed in 2015.

⁶ The indicator for waste alcohol is not monitored at the technical ethanol unit in Rajamäki and the Koskenkorva plant. The monitoring of the indicator was stopped also in Rajamäki and Tabasalu after 2015.

Wastewater emissions and exceeding environmental permit limits

Wastewater quality is monitored at Koskenkorva and Rajamäki on a daily basis by measuring chemical oxygen demand (COD) in wastewater samples. Wastewater quality was successfully improved at both plants in 2016: the indicator for the environmental objective decreased and the COD load of wastewater decreased at both plants.

The Rajamäki plant's monthly average for the biochemical oxygen demand of wastewater and the limit for the amount of solids in wastewater exceeded the limits specified in the environmental permit once during the year. Following past instances of environmental permit limits being exceeded during previous years, the Rajamäki plant has reduced its wastewater load by improving the biological treatment of wastewater.

No penalties were imposed for exceeding permit provisions or neglecting environmental laws or regulations during the reporting period.

Waste recycling

Altia seeks to decrease waste volume by reducing the amount of disposed packaging material. The environmental indicator for reducing the waste volume in relation to production volume was higher in 2016 than in 2015, even though the total amount of waste decreased. The waste generated at Altia's plants is almost fully utilized as material or energy. The average waste reutilization rate for Rajamäki, Koskenkorva and Tabasalu was 99.5 percent.

RATE OF RECYCLING AND OTHER REUTILIZATION, %

Unit	2016	2015	2014
Koskenkorva	99.9 %	98.5 %	99.1 %
Rajamäki	96.5 %	98.2 %	96.0 %
Tabasalu	83.0 %	83.1 %	80.5 %

Environmental figures 2016			
	2016	2015	2014
Use of barley (million kg)	192,16	190,70	190,50
Used fuels/Direct energy consumption			
Natural Gas (GWh) direct ¹ , non-renewable	1,32	2,85	3,58
Indirect energy consumption			
Steam consumption (GWh) indirect ² , non-renewable	46,11	63,69	96,25
Steam consumption (GWh) indirect ² , renewable	71,55	81,27	49,28
Electricity consumption (GWh) indirect ² , non-renewable	43,37	48,15	41,51
Electricity consumption (GWh) indirect ² , renewable	5,58	5,20	11,49
District heating (GWh) indirect ² , non-renewable	0,11	0,13	2,01
District heating (GWh) indirect ² , renewable	1,67	1,71	1,75
Green house gases, direct and indirect			
CO ₂ -equiv.emissions / non-renewable (t) direct ¹	259,38	562,29	629,84
CO ₂ -equiv.emissions / non-renewable (t) indirect ²	29440,14	49534,80	47202,78
CO ₂ -equiv.emissions / renewable (t) direct ¹	17078,00	16231,00	15279,00
CO ₂ -equiv.emissions / renewable (t) indirect ²	31471,39	44083,54	22098,21
Significant air emissions			
VOC emission (t)	7,18	6,98	6,94
Particle emissions into air (t)	5,29	5,63	8,67
Water and wastewater			
Water consumption (1.000 m ³)	1508,61	1045,76	1088,72
Amount of wastewater (1.000 m ³)	603,77	329,34	342,28
Waste amounts (t)			
Hazardous waste	19,12	190,03	37,56
Dump waste	86,16	90,82	141,63
Recycled waste			
utilized as energy	15983,31	11953,63	6983,88
other utilization	4598,24	4816,37	4625,08

¹Direct energy is energy that is used in own energy production or production, e.g. burning non-renewable energy sources

²Indirect energy is bought energy produced outside the reporting organization's organizational boundary that is consumed to supply energy for the organizations intermediate energy needs.

Notes about the calculation method used:

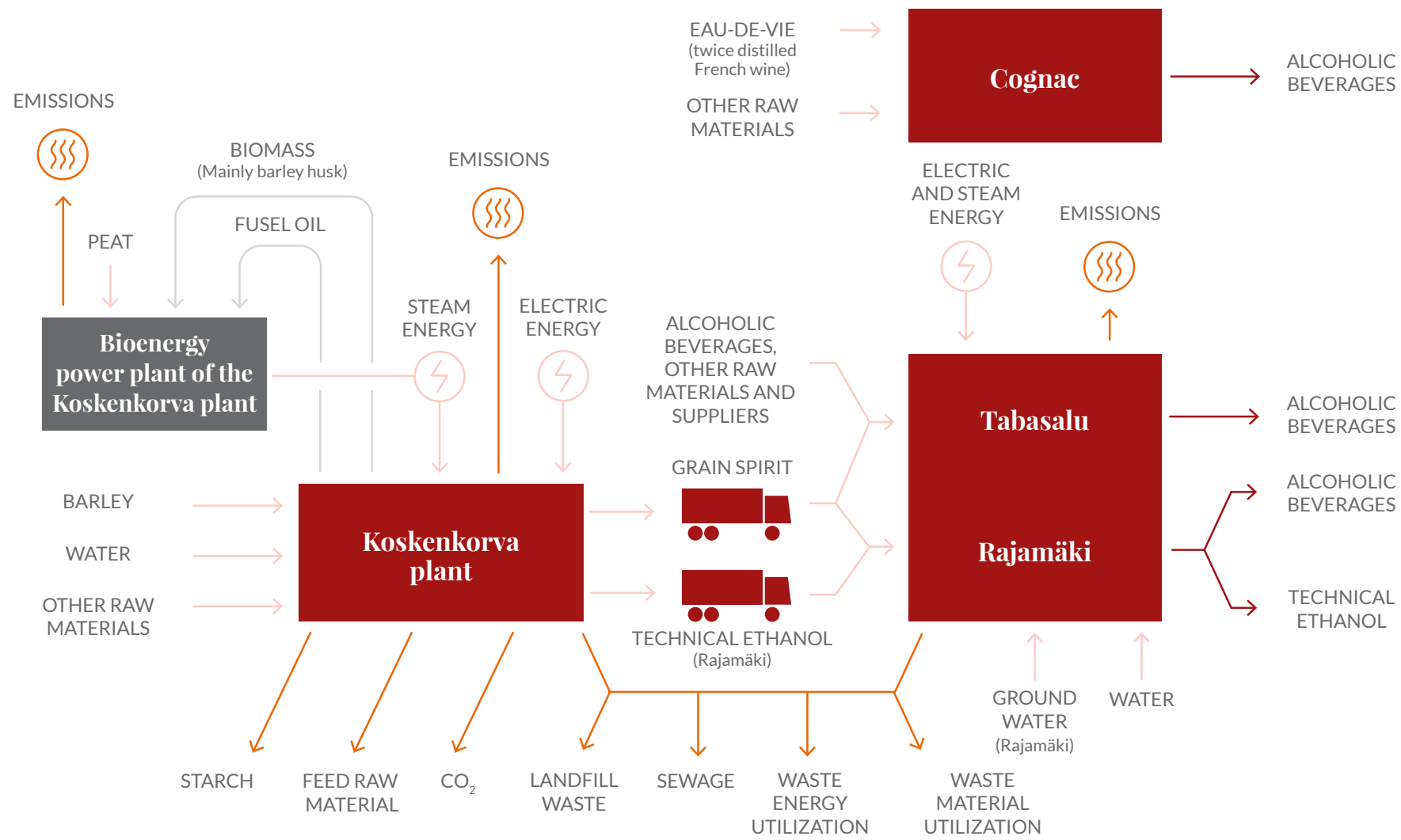
For the office locations, only figures related to electricity usage and corresponding emissions are reported, with the exception of Oslo and Copenhagen. Altia's headquarters in Ruoholahti, Helsinki, moved to a new location as of 1.4.2016. The figures for 2016 include the electricity usage and corresponding emissions of the new office for the whole year 2016.

For the logistics centers, their electricity usage, district heating and corresponding emissions, as well as water consumption and the amount of waste water are reported.

As to the Koskenkorva plant, the figures for water consumption and the amount of wastewater include all the operators in the plant area; this also applies to energy consumption, with the exception of A-rehu.

Information on emission-related indicators include Altia's operations and emissions arising from the production of purchased energy, while indicators concerning waste only cover Altia's own operations.

Material flow



CASE

From nature to the bottle

The unprocessed groundwater from Rajamäki is a core ingredient in Altia's products. Altia protects the groundwater area through land ownership and by working closely with partners and locals.

Clean water is a key ingredient in Altia's production. Besides being an ingredient of the alcoholic beverages, water is also used for keeping the facilities clean since hygiene is crucial in the drinks industry.

The water used in Altia's production is unprocessed pure groundwater from Rajamäki, Finland. It is pumped from seven metres below the ground straight to the plant, where it is mixed with ethanol and added to different products, such as Koskenkorva vodka.

"The groundwater in Rajamäki fulfills all the quality requirements without any chemical or mechanical processing. The area has water well above our needs and the water has just the right amount of various minerals without, for example, too much of chloride or iron," says **Milja Karhu**, Altia's Environmental Specialist.

Since the groundwater in Finland is generally of very good quality, it is used widely in the soft drinks industry, but less so in the production of alcoholic beverages. The quality of Altia's water

is examined regularly by an external laboratory. Everywhere else in the world, the quality of groundwater is lower and the water cannot be used in the drinks industry without processing.

Close co-operation with partners and locals

In order to keep the groundwater as clean as possible, Altia owns 1,100 hectares of land in Rajamäki. The land areas owned by Altia, such as forest and fields, are located mostly in the groundwater area.

"By owning land we can determine the operations that take place in the area and therefore avoid any harmful actions. This has been seen as an important way to preserve the groundwater ever since operations were first established at that site in 1888.

Altia's partners responsible for forestry and fields, as well as the people living nearby, are very helpful when it comes to taking care of the environment. Altia has given instructions to foresters, lumberjacks and farmers on what



needs to be taken into account, such as using biodegradable oils in machines as much as possible, for example.

"Whenever the local residents see something different inside Altia's land area, be it a different colour in the streams or waste in the forest, they inform Altia about it. The history of the factory is very important to the locals and they feel very strongly about preserving the surroundings. The plant has pretty much created Rajamäki."

A distinctive taste

According to Karhu, those with a finely-tuned sense of taste can notice a difference between processed water and clean groundwater.

The forest in the groundwater area has a distinctive taste, acting as a filter for the rain water. The rain water is absorbed into the ground more slowly than without the forest, which reduces the amount of air pollutants and heavy metals. The difference in the taste

and the chemical composition of the water are excellent assets when it comes to revealing fake products.

"The effect of the forest and the lack of chemical treatment give the water a fresh taste and a clear colour. Besides the taste, using clean groundwater is also important for the environment as well as the image of the product since it comes straight from nature."

CASE

New energy efficiency targets in line with Altia's own goals

Altia has entered into a new energy efficiency agreement period and the goals in the agreement are in line with Altia's own targets and policies.

Altia signed its first voluntary Energy Efficiency Agreement in 2008 and successfully completed the targets set during the contract period of 2008–2016. In 2017, Altia joined the new contract period of this agreement which will continue until 2025. The parties to the agreement include Finnish ministries, industry associations and companies.

Altia's target during the new contract period is an energy consumption reduction of 10% by the year 2025, compared to consumption at the beginning of 2014.

"The goal in the agreement is in line with Altia's own goals and we have made continuous efforts to reach our energy efficiency targets. The second contract period is going to be more challenging, but we are confident that we will reach this goal as well," states **Jussi Nikula**, HSEQ Manager from Altia's Rajamäki plant.

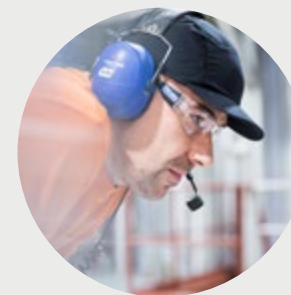
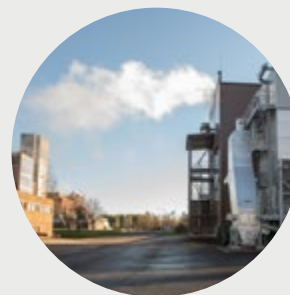
Continuous efforts towards sustainability

Altia has made many efforts to increase its

energy efficiency. The efforts are based on Altia's own goals and the findings from the energy efficiency reviews conducted at the Koskenkorva and Rajamäki plants in 2015. The suggestions and saving targets from these reviews were in line with the measures Altia had already taken and planned to increase energy efficiency in their operations.

The actions at the Rajamäki plant have included lowering temperatures in the storage areas, turning the air conditioning to half speed and optimising the machines' rotational speed. The hot water heat recovery was made more efficient and frequency transformers were installed for water circulation. Compressed air leaks were also blocked and the lighting was changed to LED lamps.

The developments and improvements in the processes driving patterns at the Koskenkorva plant have made a big impact on energy efficiency. Because of these improvements, Altia is able to take energy efficiency better into account when making decisions regarding its production runs. Also, the measuring instruments and



calculations created for this process are an important basis for these decisions.

Efforts to reduce energy consumption have paid off

The measures to increase energy efficiency and their effects are monitored continuously. According to Nikula, the Koskenkorva plant counts for most of the energy consumed in terms of Altia's productions. The plant uses approximately 136 GWh of energy per year. Most of this energy is used in the distilling process and starch manufacturing. The Rajamäki plants use approximately 29 GWh of energy per year, mostly for property heating.

The majority of energy used in the Koskenkorva plant is produced by Altia's own bioenergy power plant which started its full-scale operations in January 2015. The plant uses only field biomass to produce steam energy for the Koskenkorva plant's operations. Bioenergy has contributed and altered the Koskenkorva plant's driving optimisation towards energy efficiency.

According to Nikula, all of these measures to increase energy efficiency have made a difference in Altia's energy consumption. During the last contract period of 2008–2016, Altia reduced its energy consumption by 14.4% compared to the contract periods energy consumption baseline of 2005. The energy reduction target during the previous contract period was 9%.

"Therefore, we will also continue implementing similar measures during the next contract period. During the energy efficiency agreements, we have been able to maintain a normal level of production and simultaneously improve our energy efficiency continuously over the years. This is something Altia is proud of," says Nikula.



Altia & Employees

797	Skilled employees
9.6 yrs	Average duration of employment
5%	Improvement in personnel survey results
8	Accident rate
3.2%	Sickness absence rate
2	Statutory negotiations

797
Skilled employees

Altia & Employees

We want Altia to be an inspiring and safe place to work.

- Employee well-being: supporting the motivation and engagement of personnel
- Good leadership: developing a leadership approach based on encouragement and collective success
- Occupational health and safety: ensuring workplace safety
- Rewarding good performance: recognizing and rewarding good performance



ALTIA & EMPLOYEES

OBJECTIVE 2015–17	PROGRESS 2014–2015	PROGRESS 2016	ACTIONS 2017
Developing communications concerning vision and strategy	Regular business reviews by the CEO were introduced. Management team roadshows were launched. Key performance indicator updates were provided monthly. Employees were extensively involved in the development of the company's strategy. Success stories were shared on Yammer. All personnel participated in discussing ideas on what Altia's new purpose means in practice. The results of the Altia Tasting personnel survey improved by six percentage points.	CEO business reviews were published regularly. CEO Chats were arranged on Yammer, where employees had the possibility to ask questions from the CEO. Monthly KPI updates were continued. Altia Tasting personnel survey results improved by five percentage points.	<ul style="list-style-type: none"> Continuing CEO Yammer chats and monthly KPI updates Communicating on intranet about the key topics discussed at EMT meetings Roadshow about Altia's strategy at all sites Enhancing strategy communications through videos and infographics EMT members' regular visits in countries and at production sites
Enhancing the leadership skills of Altia managers	Altia's leadership principles were defined and discussed in management teams. A training program covering Altia's entire operating area was launched. Performance management training was organized for managers.	Altia Behaviours were defined together with employees as part of strategy work. Project management training was held for persons working in product development projects. Coaching for team leaders was arranged at Koskenkorva and employment and managerial training was arranged at Rajamäki.	<ul style="list-style-type: none"> Implementing Altia Behaviours by discussing them in teams. Leadership training for managers.
Developing the equal treatment of employees	Remote work guidelines and principles were published for Finland.	An equality plan for 2017-2019 was made in Finland. The equality plan in Sweden was renewed. Car policy in Finland was clarified.	<ul style="list-style-type: none"> Clarifying managerial roles and responsibilities and activating actions relating to employee well-being in accordance with the equality plan in Finland.
Enhancing safety culture at production plants	QSE principles were updated. Occupational safety committee meetings were developed at the Rajamäki plant. Occupational safety was included in meeting agendas at the Koskenkorva plant. Near-miss reporting was developed and the number of safety walks was increased. The use of the electronic system for reporting non-conformities was improved.	Handling of near-miss reports was speeded up, new House Rules were implemented, cleanliness and order was improved and induction material was updated. Occupational safety was included in meeting agendas in Tabasalu. Training for emergency situations was arranged in Sweden.	<ul style="list-style-type: none"> Launching a policy about alcohol consumption applicable to all Altia employees and everyone working on Altia's production sites or offices Implementing an e-learning tool for visitors at Koskenkorva plant
Enhancing the recognition and rewarding of good performance	Corporate responsibility objectives were incorporated into the incentive scheme used at production plants.	Development work for 2017 performance-based bonus program was initiated.	<ul style="list-style-type: none"> Implementation of the renewed bonus program

Responsibility for employees

At Altia, we believe that the success of our personnel leads to the success of the company, and the other way around. We want to build a working community where our personnel feel well and can perform their work safely.

Recognizing that each employee contributes to the atmosphere of the working community, we take pride in our relaxed company culture that allows everyone to be themselves. Planning related to personnel development is part of Altia's strategy process. On the basis of the company's strategy, business functions annually determine their needs related to leadership, employee communications and competence development.

Layoffs could not be avoided in 2016. Statutory negotiations with employees were conducted in Denmark, resulting from the reduction in volume caused by customer changes in logistics, and nine employees were laid off. Statutory negotiations were also carried out in Altia's IT functions in all operating countries. IT operations and development of IT were reorganized to support Altia's strategy, the needs of business and digitalization. As a result of the arrangement, seven employees were laid off. Outplacement services were offered to all of them. Altia sold the feed processing business at the Koskenkorva plant to A-Rehu Oy, and five employees transferred to A-Rehu.

Towards new strategy by learning together

Employees have participated in strategy work in workshops, specifying behaviors that promote the strategy in our daily work. In addition, a virtual tool was used in the strategy work. This dialogue became [a joint frame of reference](#) for daily ways of working.

Training courses were arranged for the commercial organization in 2016. Training for sales and marketing people was started in May and will continue in 2017. In addition, we arranged Altia Networker courses to improve matrix work and cooperation skills. Project culture was promoted by providing training for all those employees who participate in product development projects.

All Altia employees regularly participate in development discussions. At the development discussions, a personal development plan is prepared for each employee that defines the most significant measures to develop competence and motivation.

The Altia Tasting personnel survey was

conducted at the end of 2016. The objective of the survey was to provide a basis for open and constructive dialogue to develop the work community. The results of the survey improved by five percentage points compared with the previous year.

Development of remuneration and incentives

The objectives of Altia's performance-based bonuses are to support the implementation of strategy, reward personnel for good results, and share Altia's financial success.

Bonuses are paid either once a year or more frequently as an annual performance bonus or sales bonus. All employees and workers, with the exception of people in short fixed-term employment relationships, are included in the performance-based bonus scheme.

In addition to financial rewards, Altia also strives to develop other forms of incentives. These include thanking and giving positive feedback, celebrating accomplishments, sharing best practices, involving key talents

in strategy and development work, as well as offering small tokens of appreciation in recognition of good work.

More information about Altia's remuneration policies, including paid remuneration, can be found in [the remuneration statement](#).

Actions to prevent sickness absences and accidents

Altia's occupational health and safety system has been certified in accordance with the OHSAS 18001:2007 standard. The certificate covers the Koskenkorva plant, the Rajamäki alcoholic beverage plant, and the technical ethanol business operations, as well as the operations of the head office in Helsinki.

The objectives of the system include the reduction of sickness absence rates and the number of absences caused by accidents. Action plans have also been created for operating locations that are not within the scope of certification, namely the Tabasalu plant and logistics centers, with the exception of Cognac.

In order to achieve these objectives, a total of 52 actions have been determined for the various locations, and 38 of these (73%) were implemented in 2016.

The programs focus on, for example, faster inspection of close call situations, improvement of tidiness and order, initiation of safety walks, and updating of induction training material. In addition, the programs include the use of safety equipment, occupational safety training, addressing occupational safety matters at meetings, implementation of the development programs launched on the basis of the job satisfaction survey, improvement of ergonomics, a smoke-free Koskenkorva plant, and reduction of overtime hours.

The accident frequency and sickness absence rates are monitored in all of Altia's operating countries, with the exception of France. A decision about whether to extend these KPIs to France will be made in 2017.

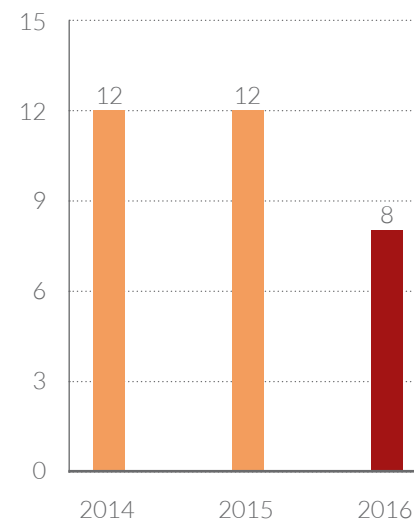
In 2016, the sickness absence rate¹ was 3.2 percent (3.0% in 2015). The Swedish logistics center had the highest rate (6.1), and the Copenhagen and Oslo offices had the lowest rate (0.5). The accident rate² for accidents requiring at least one day of absence was 8 (12 in 2015).

Similar to the previous year, the Rajamäki plant had the highest number of accidents. The Rajamäki plant continued to develop the identification of hazards and risks and to implement immediate corrective measures. Occasional accidents occurred in other production locations (Koskenkorva, Svendborg, Tabasalu, and the Swedish logistics center in Brunna). There were no fatal work-related accidents in 2016.

¹ The number of sickness related absence hours per working hours x 100 %

² The number of accidents per one million working hours.

ACCIDENT RATE*

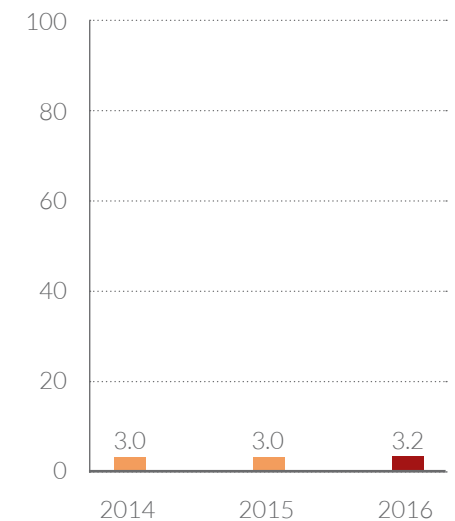


*The ratio of number of accidents to million working hours

The figures do not include the business functions in France.

SICKNESS ABSENCES

%

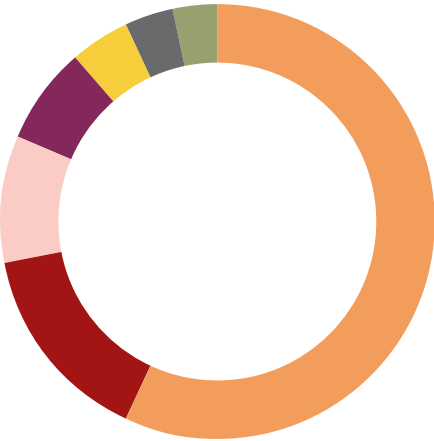


The number of sickness related absence hours per working hours x 100 %

The figures do not include the business functions in France.

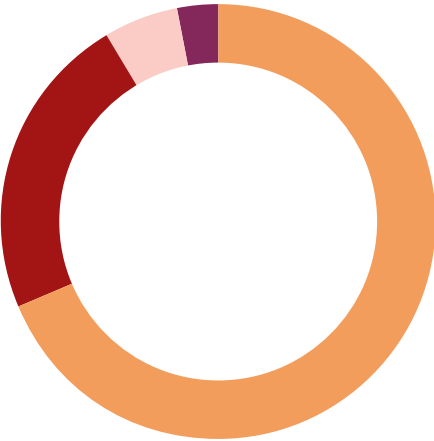
Key employee figures

AVERAGE NUMBER OF PERSONNEL BY COUNTRY 2016
Persons



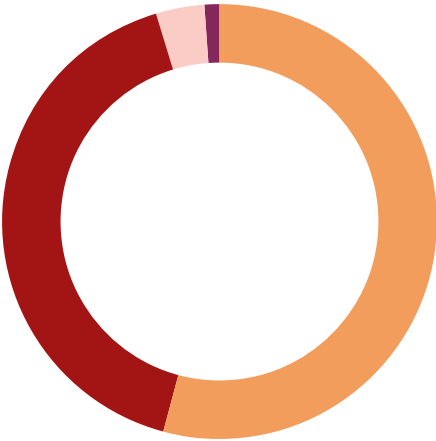
- Finland 474
- Sweden 123
- Estonia 80
- Latvia 59
- Denmark 36
- Norway 30
- France 27

PERSONNEL BY BUSINESS AREA 2016
Persons



- Supply Chain and Support Functions 570
- Altia Markets 189
- Altia Categories 45
- Industrial Services 25

TYPE OF EMPLOYMENT 2016
%



- Permanent 95.5%
- Men 57.0%
- Women 43.0%
- Fixed-term 4.5%
- Men 77.1%
- Women 22.9%

The figures do not include the business functions in France.

DURATION OF EMPLOYMENT
%

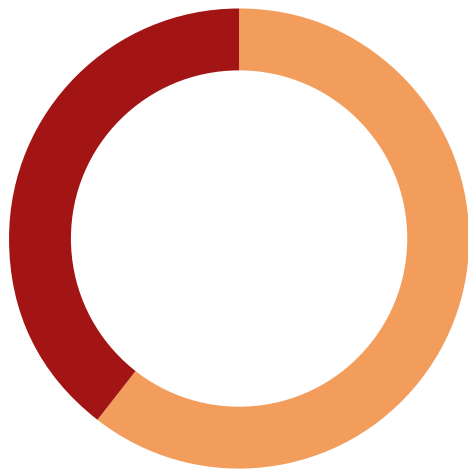


- Less than 1 years 9.5%
- 1-4 years 29.1%
- 5-9 years 20.0%
- 10-20 years 30.8%
- Over 20 years 10.6%

The figures do not include the business functions in France.

PERSONNEL BY GROUP 2016

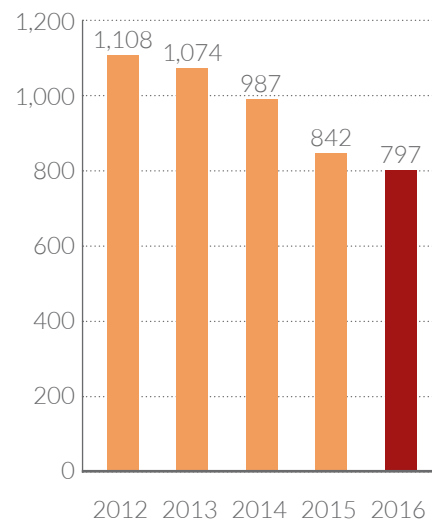
%



- Salaries and senior-salaried employees 60.4%
- Workers 39.6%

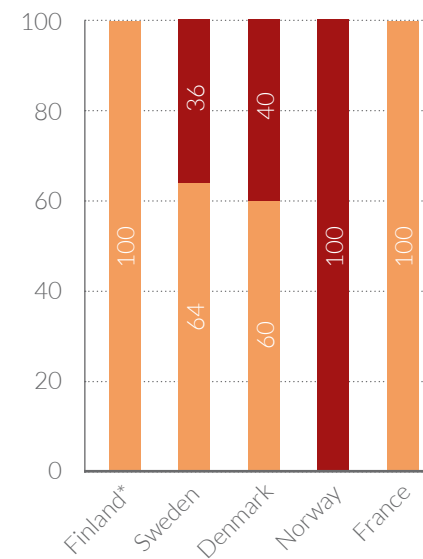
DEVELOPMENT OF THE NUMBER OF PERSONNEL 2012-2016

Persons



Average age of personnel: 42 years

PERCENTAGE OF EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS, %



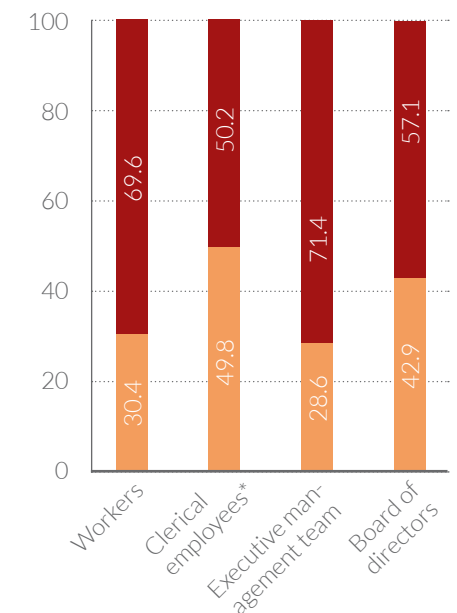
- Covered by collective agreements
- Not covered by collective agreements

Estonia and Latvia are not included because in these countries there are no collective agreements

*Excluding CEO

GENDER DISTRIBUTION

%



- Women
- Men

Situation on December 31, 2016

* Does not include EMT members

CASE

Everyone is the leader of their own work

Altia has defined new 'Altia Behaviours' based on collective planning and discussion throughout the company. Altia Behaviours apply to all Altians and emphasise courage and responsibility in one's own work.

At the beginning of 2017, Altia launched its new Altia Behaviours to guide the work of all Altians. The new principles coincide with our strategy and company purpose, Let's Drink Better.

"Altia Behaviours apply to all Altians. Previously, we had different guidelines for managers and other employees, but now we wanted to share the message of one Altia for everyone," says **Riikka Walden**, Altia's HR Director in Leadership & Culture.

Defining the principles was the result of co-operation. The process started in November 2016 and consisted of group discussions between 70 Altians, who were chosen to present different countries and positions.

The main topic in the conversations was to find out what kind of change was needed at Altia. Based on the conversations, an open e-learning platform for dialogue was created for the whole company at the end of 2016.

Genuine curiosity for new practices

The new Altia Behaviours were inspired by the comments from group discussions and the e-learning platform. The principles were named as *Renew Bravely*, *Show Direction*, *Build Success Together* and *Implement!* Compared to the previous principles, the new behaviours emphasise renewing and leadership in one's own work.

"*Renew Bravely* is the new addition that functions as a roof concept for the other behaviours. It means having a genuine curiosity to apply a new perspective to old practices. It also contains the idea of accepting mistakes, learning from them and even celebrating them, since mistakes often mean there has been the courage to try something new."

The other three behaviours have existed before in Altia's strategy, but have now been renewed to respond to the new strategy and comments from the employees.



"When it comes to the other behaviours, we literally want to show the direction in the business. And most importantly, we want to do this together. Of course, none of these fine sounding values matter unless we implement them in terms of our actual work and get things done."

A framework for conversation

Walden has advised supervisors to use the Altia Behaviours as a framework and fit them to their own team. She hopes that all employees will be open to the new behaviours and discuss them together with colleagues.

"We didn't want to give too many concrete examples, since we want every team to interpret the behaviours in their own context. It is also important to remember that the behaviours have been defined together, based on the real needs of the company. The Altians themselves know best what is needed for their everyday work."

Since the beginning of 2017, the teams have been discussing the behaviours and their meaning. During the year, the behaviours will be finalised, communicated to the employees and integrated into all HR practices, including into performance dialogue discussions. The success of the behaviours will be measured in the next personnel survey and through open feedback.

CASE

Making employees proud of their workplace

Altia Sweden organised a series of workshops for its employees on how to improve everyday work by enhancing collaboration. The workshops gave the employees a chance to express their thoughts and helped tighten the relationships throughout Altia Sweden.

Based on the wishes expressed in the employee survey, Altia Sweden organised four workshops for its employees focusing on how to make Altia a better place to work, by enhancing collaboration between people from different business units.

The aim of the group discussions was to understand, accept and utilise the different ways in which individuals work. Between the workshops, people had their own meetings, where they continued the discussion and came up with new ideas.

“The workshops were about emphasising everyone’s responsibility in terms of making Altia a better place to work. Our target was to leave everyone more connected to the other employees and I think we succeeded in that,” states **Carl-Johan Elg**, Commercial Director, Altia Sweden.

The best ideas were voted for at the end of the workshops and have since been implemented

into everyday work. The most supported ideas included more transparent communication and more explicitly defined work descriptions.

“Everyone really felt they were listened to and got a chance to express their thoughts. There is so much competence in the company, so it is very useful to let people come together,” says **Anna-Kari Ridderwall**, HR Manager, Altia.

Interaction with new people

Fredrik Serna, Key Account Manager at Altia, and a participant in the workshops, describes the experience as a great way of involving the employees.

“The workshops helped to tighten the relationships throughout the company. I interacted with people who I never work with. The titles and hierarchy were down and the discussion was very personal. Knowing each other better has since improved our work considerably.”



CASE

Let's Drink Better – gathering the best ideas internally

Altia used an online evaluation process to gather ideas about what the company's purpose - Let's Drink Better - should mean in our everyday work. The process showed that employees and management share the same view about Altia's future direction.

In 2015 Altia specified its purpose as a company – Let's Drink Better.

All company personnel were invited to take part in an online evaluation process in October 2015 to give concrete and fresh ideas about what the Let's Drink Better purpose means to our work. The virtual process resulted in 750 ideas and 2,500 comments.

The ideas and comments were analyzed and summarized into concrete suggestions under different themes, such as brand marketing, product innovation, Altia people, communications, responsibility and one Altia. The summary was given to the leader(s) of each area, who had the possibility to give feedback about which ideas are already being implemented and select ideas for future implementation.

Continuous renewal needed

The process showed that many of the ideas received were actually already incorporated

in Altia's strategy or in operational plans, showing that the view about Altia's direction is very much a shared view between employees and management. For example, the importance of continuously renewing was emphasized in the ideas gathered, and is incorporated into the newly defined Altia Behaviours as the leading principle – Renew Bravely. Another idea was that Altia should define what drinking better means in our everyday life at the workplace. This has been done in a common Altia employee alcohol policy, which will be launched in 2017.

Examples of ideas that were selected for implementation during 2017 include the establishment of an Altia mentoring program, with the aim to share know-how between Altians, and the establishment of a place where all Altians could share product development ideas.

Fresh ideas for future development

There were further some interesting ideas,



REPORTING

Reporting framework

Altia's responsibility report 2016 is the company's ninth responsibility report. The report is published once per calendar year in Finnish and English. The report is only published online. No external assurance has been applied to the report.

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines. Specific Standard Disclosures concerning the management approach and key indicators are mainly presented for the nine aspects that are the most material to Altia. However, for environment and social responsibility in the supply chain, indicators are presented more extensively than what is required by the Core framework. The GRI Index illustrates the correspondence between the report contents and the GRI G4 guidelines.

Information on responsibility and the related indicators are disclosed for the whole Group, taking into account the exceptions described in the report and below.

With regard to the indicators relating to personnel only a portion of the indicators cover the operations Altia acquired in 2013 from Cognac, France. Also for environmental responsibility the indicators focus on the environmental impact of Altia's own production, which relate to our operations at the Koskenkorva, Rajamäki and Tabasalu plants. A decision about whether to extend the indicators to cover the operations in France will be made in 2017.

The calculation methods applied and any differences compared to the previous years are described in more detail in the report.



















The report for 2015 was published on April 13, 2016.















































GRI G4 content index














This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

AR = Annual Review

Code	GRI content	Location / Explanation	Reported Fully  Partly 
General standard disclosures			
STRATEGY AND ANALYSIS			
G4-1	CEO's statement	CEO's review, AR 6-7	
G4-2	Key impacts, risks and opportunities	CEO's review, How we create value?, Altia's role in society, Materiality analysis, Altia's environmental impacts, AR 47	
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	Altia in brief	
G4-4	Primary brands, products and services	Altia in brief	
G4-5	Location of the headquarters	Altia in brief	
G4-6	Countries in which operations are located	Altia in brief	
G4-7	Nature of ownership and legal form	Key figures 2016, AR 77	
G4-8	Markets served	Altia in brief	
G4-9	Scale of the organization	Altia in brief, AR 9	
G4-10	Breakdown of workforce	Key employee figures No substantial work is performed by self-employed or contractors. There are no significant seasonal variations in employment numbers.	
G4-11	Percentage of employees covered by collective agreements	Key employee figures	
G4-12	Organization's supply chain	Altia's role in society, Responsible sourcing, Material flow	
G4-13	Any significant changes regarding organization's size, structure, ownership or supply chain.	AR 15	
G4-14	Addressing the precautionary principle	Altia's environmental targets and proactive measures	
G4-15	Externally developed charters, principles or initiatives endorsed	Steering of Altia's responsibility work, Materiality analysis	
G4-16	Memberships of associations	Altia companies in Finland, Sweden, Norway, Denmark, Estonia and Latvia are members in local alcohol industry associations. Altia is a member also in BNIC, the cognac producer's association.	

Code	GRI content	Location / Explanation	Reported Fully  Partly 
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Report coverage of the entities in the consolidated financial statements.	AR 23, Reporting framework	
G4-18	Process for defining the report content and Aspect Boundaries	Materiality analysis	
G4-19	Material aspects identified	Materiality analysis	
G4-20	Aspect boundaries within the organization	Materiality analysis	
G4-21	Aspect boundaries outside the organization	Materiality analysis	
G4-22	Restatements of information	Responsible sourcing, Altia & Environment	
G4-23	Significant changes in the scope and aspect boundaries from previous reports	No significant changes compared to previous report.	
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups	Altia's stakeholder interaction	
G4-25	Basis for identification and selection of stakeholders	Selection is based on internal questionnaire.	
G4-26	Approach to stakeholder engagement	Stakeholder dialogue, Altia's stakeholder interaction	
G4-27	Key topics and concerns raised through stakeholder engagement	Stakeholder dialogue, Altia's stakeholder interaction, Working conditions at South African vineyards	
REPORT PROFILE			
G4-28	Reporting period	Reporting framework	
G4-29	Date of most recent report	Reporting framework	
G4-30	Reporting cycle	Reporting framework	
G4-31	Contact point for questions	Contact information	
G4-32	GRI content index	GRI G4 content index	
G4-33	Policy on external assurance	Reporting framework	
GOVERNANCE			
G4-34	Governance structure of the organization	AR 77	
G4-36	Positions with responsibility	Steering of Altia's responsibility work	
G4-38	Composition of highest governance body	AR 77	
G4-39	Position of the Chair of the Board	AR 77	
G4-40	Nomination and the selection process for the highest governance body	AR 77	
G4-42	Highest governance body's role in setting purpose, values and strategy	AR 77	
G4-48	Approving the Sustainability report	CEO, CFO and Chair of Altia's corporate responsibility working group have been in the report's steering group. Report is approved by the Board.	

Code	GRI content	Location / Explanation	Reported Fully  Partly 
ETHICS AND INTEGRITY			
G4-56	Organization's values, principles and codes	Steering of Altia's responsibility work, Materiality analysis, Every-one is the leader of their own work, Let's Drink Better	
G4-58	Reporting concerns about unethical or unlawful behavior	Altia has an internal channel for reporting unethical behavior, where concerns can also be reported anonymously. During 2016 two concerns were expressed anonymously and both of them were resolved.	
Specific stand-ard disclosures			
G4-DMA	Disclosure on management approach	Steering of Altia's responsibility work, Materiality analysis	
ECONOMIC INDICATORS			ALTIA'S MATERIAL ASPECT
G4-EC1	Direct economic value generated and distributed	AR 20, Altia's role in society	 Economic impact
ENVIRONMENTAL INDICATORS			
	Disclosure of management approach (DMA)	Materiality analysis, Altia & Environment	
G4-EN1	Materials used by weight or volume	Altia's environmental impacts	 Minimizing own environmental impacts
G4-EN3	Energy consumption within the organization	Environmental figures 2016, New energy efficiency targets	 Minimizing own environmental impacts
G4-EN6	Reduction of energy consumption	Environmental figures 2016, New energy efficiency targets	 Minimizing own environmental impacts
G4-EN8	Total water withdrawal by source	Environmental figures 2016 Only quantity reported	 Minimizing own environmental impacts
G4-EN13	Habitats protected or restored	From nature to the bottle	 Minimizing own environmental impacts
G4-EN15	Direct greenhouse gas emissions (Scope 1)	Environmental figures 2016	 Minimizing own environmental impacts
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	Environmental figures 2016	 Minimizing own environmental impacts
G4-EN21	Significant air emissions	Environmental figures 2016 Only VOC and particles reported	 Minimizing own environmental impacts
G4-EN22	Total water discharge by quality and destination	Environmental figures 2016 Only quantity reported	 Minimizing own environmental impacts
G4-EN23	Total weight of waste by type and disposal method	Environmental figures 2016	 Minimizing own environmental impacts
G4-EN25	Hazardous waste transported, imported, exported, treated	Environmental figures 2016 Only the amount of hazardous waste	 Minimizing own environmental impacts
G4-EN29	Monetary value of fines and number of sanctions for non –compliance with environmental laws and regulations	Altia & Environment No fines or sanctions in 2016.	
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	A selection tool is in use for raw materials and packaging material suppliers. 11 out of 14 new suppliers in 2016 were assessed. The CSR questionnaire covers 93 % of all suppliers.	 Utilizing responsibly produced raw materials
G4-EN33	Significant negative environmental impacts in the supply chain	Our wine, raw materials and packaging materials suppliers and partners fill our CSR questionnaire. No significant negative impacts have been identified based on the results.	 Utilizing responsibly produced raw materials

Code	GRI content	Location / Explanation	Reported Fully  Partly 	
SOCIAL INDICATORS				
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
	Disclosure of management approach (DMA)	Materiality analysis , Altia & Employees , Altia & Society , Responsible sourcing		
G4-LA9	Average hours of training	The gathering of the information was started in 2016 for Finland. Information is expected to be available for the whole group starting 2018.	–	Well-being of employees
G4-LA11	Percentage of employees receiving regular performance reviews	Responsibility for employees		Good leadership
G4-LA12	Composition of governance bodies and breakdown of employees per employee category	Key employee figures		
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	A selection tool is in use for raw materials and packaging material suppliers. 1 out of 14 new suppliers in 2016 were assessed. The CSR questionnaire covers 93 % of all suppliers.		Utilizing responsibly produced raw materials
G4-LA15	Significant negative impacts for labor practices in the supply chain	Our wine, raw materials and packaging materials suppliers and partners fill our CSR questionnaire. No significant negative impacts have been identified based on the results. Media revealed negative impacts in South Africa.		Utilizing responsibly produced raw materials
SUB-CATEGORY: HUMAN RIGHTS				
	Disclosure of management approach (DMA)	Materiality analysis , Altia & Society , Responsible sourcing		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	A selection tool is in use for raw materials and packaging material suppliers. 1 out of 14 new suppliers in 2016 were assessed. The CSR questionnaire covers 93 % of all suppliers.		Human rights in supply chain Utilizing responsibly produced raw materials
G4-HR11	Significant negative human rights impacts in the supply chain.	Our wine, raw materials and packaging materials suppliers and partners fill our CSR questionnaire. No significant negative impacts have been identified based on the results. Media revealed negative impacts in South Africa.		Human rights in supply chain Utilizing responsibly produced raw materials
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
	Disclosure of management approach (DMA)	Materiality analysis , Altia & Customers , Altia & Environment		
G4-PR2	Number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products	Seven incidents of quality defects were identified by quality control, four of them leading to recalls.		Product quality and safety
G4-PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	None		Responsible marketing
OTHER				
				There does not exist an appropriate GR indicator for Advocating responsible consumption.



ALTIA

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