VEIKKAUS

ANNUAL AND SUSTAINABILITY REPORT 2020

Year 2020 | Responsible towards the players | Responsible business operations | Responsible for Veikkaus´employees | Board of Directors' report and Financial Statement

VEIKKAUS

ANNUAL AND SUSTAINABILITY REPORT 2020

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VEIKKAUS

YEAR 2020

A word from the President and CEO

"We made major decisions to build a more responsible gaming environment in 2020."

The year 2020 will remain in history as an exceptional year. The coronavirus affected our activities in a way no-one could have foreseen only a year ago. To Veikkaus, just as to many other companies, the year of the coronavirus was challenging; however, it was also a year of positive, remarkable solutions that have enabled the building of a more responsible gaming environment.

We had to take major decisions on a tight schedule at Veikkaus due to the coronavirus epidemic, to protect the health of our staff, customers, and retailers. We first closed our gaming arcades and slot machines in the retail network in the entire country for about four months in the spring, and then did the same thing again at the end of November in most of Finland. At the same time, we had to make decisions some of which were difficult, in order to ensure Veikkaus' operating capacity even in the future. The restrictions caused by the pandemic led Veikkaus to lay off temporarily some 660 gaming arcade employees in May–June. At the end of the year, another round of cooperation negotiations was held, covering ca. 800 Veikkaus employees and leading to the layoffs of ca. 500 employees in the first phase at the beginning of 2021. The coronavirus epidemic cut Veikkaus' gross gaming revenue by over 300 million euros in 2020.

Despite the challenges and insecurity caused by the epidemic, we made major decisions to build a more responsible gaming environment in 2020. We updated both Veikkaus' strategy and responsibility policy. The updated strategy is based on an even safer and more responsible gaming environment.

To boost the implementation of the revised strategy, we made many major decisions and took a variety of measures in 2020. We reduced the number of the slot machines in the retail network by 8,000, i.e., by 40 percent from the number of the previous year. We also prepared, in many ways, for the compulsory authentication introduced to the slot machines in the retail network at the beginning of 2021 and decided to bring forward the launch of compulsory authentication applied to the slot machine and table games at the gaming arcades, now planned to start as early as summer 2021. In the summer, we are also planning to make the physical slot machine and table games subject to the same gaming limits that are currently applied to the games in Veikkaus' online service. It has been estimated that the compulsory authentication, together with the gambling control tools, will cut the players' losses – and at the same time reduce the revenue to society – by ca. 300 million euros every year.

Veikkaus' objective is to make all of its games subject to authentication in 2023. By adopting compulsory authentication, we aim to reduce problematic gambling. When the games can only be played authenticated, we can offer our customers effective tools for gambling control, and the players can, e.g., opt for total gambling self-exclusion. What is more, compulsory authentication facilitates age limit controls and helps us to prevent money laundering and other criminal activities. When the safer gaming environment, enabled by authenticated gaming, is complete in a couple of years, Veikkaus will be a trailblazer of responsible gaming even in the global context. We also believe that the upcoming new Lotteries Act will support us in this objective.

I wish to thank our customers, employees, and all partners in cooperation for your good cooperation during this exceptional, challenging year!

Olli Sarekoski
President and CEO
Veikkaus Oy

Operating environment

Operations in the gaming industry are affected by many different driving forces. We revised our strategy at the beginning of the year under review, with an objective to pay optimal attention to our customers and the expectations of our other stakeholders, as well as to respond to the challenges and opportunities of the changing operating environment.

THE DRIVING FORCES AFFECTING OUR OPERATIONS

Retail sales network

- *Structural change of the trade sector*
- *Changes in customer behaviour and purchasing habits, such as increasing online sales*

Digital sales

- *Intensifying competition brought by offshore operatioins, especially in fast-paced games*
- *Older age groups adopting more and more online services*
- *Increasing significance of mobile servises*

Reputation of gambling games

- *Both responsible gaming and more extensive corporate social responsibility and sustainable development are increasingly important to our business*
- *Expectations regarding our responsibility towards the players, and efficient gaming control tools*

Legislation and supervision

- *The challenges of a market which is rapidly growing more international and makes use of new technologies, including*
  - *gambling games within entertainment games*
  - *game platforms operating on virtual currencies*
  - *new types of product groups that are difficult to define*

Lotteries Act reform

At the end of January 2020, the Ministry of the Interior launched a project to reform the Lotteries Act in accordance with the Government Programme. The objective was to analyse the need to revise the legislation especially to further reinforce the prevention and mitigation of detriments caused by gaming. Another goal cited was to analyse the legislative means of supporting Veikkaus' operational prerequisites in order to strengthen the monopoly system.

A working group was set up to implement the project, with a representative from Veikkaus as a permanent specialist member. Veikkaus was also consulted in the different stages of the project.

The proposal of the working group was prepared according to schedule at the end of November 2020. It will be sent out on a consultation round in January 2021. The Government bill should be submitted to Parliament by June 2021 according to a decision on the schedule made during the State Budget preparations. After that, the Parliament would process the Lotteries Act reform during the autumn session, and the reformed Act would enter into force mainly in 2022.

The Lotteries Act reform is based on the Government Programme of Prime Minister Sanna Marin's Government. According to it, Finnish gambling policy aims to mitigate the detriments of gambling by securing Veikkaus' exclusive right with sufficient channelling capacity, and by ensuring its operational prerequisites in the rapidly changing operating environment. The reform also aims at guiding gaming towards legal, responsible, and supervised game offerings.

Veikkaus in brief

We offer joy and experiences, but not at any cost. We want to make sure that the joy of gaming is preserved, and that gaming is kept harmless. Almost all adult Finns play Veikkaus games, and we have over two million registered Loyal Customers. We are also involved in Finnish life in many ways through our gaming revenue.

We are ca. 1,600 employees working at Veikkaus, at nearly a hundred different locations in the country. Our games are sold at thousands of points of sales, and they can also be played at veikkaus.fi, subject to protective gaming restrictions.

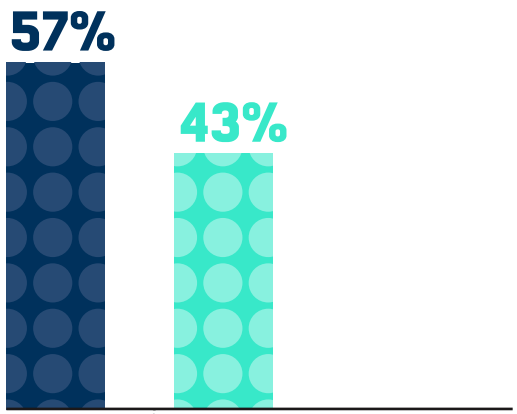
SALES CHANNELS

veikkaus.fi	Feel Vegas	Pelaamo arcades	Casino Helsinki	Points of sales of the retail network

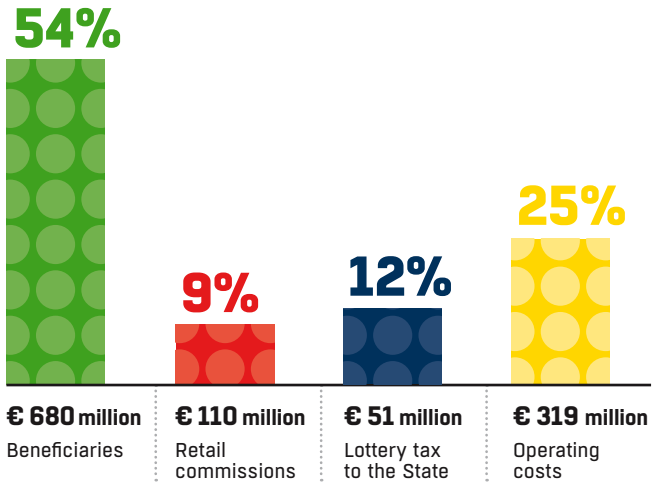
GAMES

LUCKY GAMES	CASINO GAMES	BETTING
Weekly drawn games Lotto, Eurojackpot, Vikinglotto, Jokeri, Lomatonni	**Slot machine games** e.g. Emma, Novax, Pikapokeri, Fruttis	**Fixed odds betting** Pitkäveto, Live betting
Daily drawn games Keno, Kaikki tai ei mitään, Synttärit, Tähdenlento	**Digital slot machine games** e.g. KultaJaska 2, Emma, Pikapokeri	**Parimutuel betting** Football Pools, Moniveto, Tulosveto, Voittajaveto games, Toto games (e.g. Toto75, Toto64, Toto65, Toto4, Kaksari, Troikka)
Scratchcards	**Table games** Poker games, Blackjack, Roulette	
	Digital table games Poker games, Blackjack, Roulette	
	einstants e.g. Nokkapokka, Ässä, Fruttis, Yökyöpelit	
	eBingo	

Gaming revenue 2020



Distribution of the gaming revenue 2020



Mission, vision, and values

Our mission is to **generate joy through games**.

Our vision is to **be a trailblazer of a responsible player experience**.

Strategy

Veikkaus updated its strategy at the beginning of 2020. Our strategy foregrounds player-centred responsibility, i.e., our responsibility towards individuals. Previously, we focused more on our responsibility towards society instead of the responsibility we have towards individuals. Besides the player-centred responsibility, the updated strategy prioritizes Veikkaus' channelling capacity, outstanding customer experience, new business, and the objective of developing Veikkaus into the best place to work in the gaming industry. The strategy provides the basis for a change towards an even more responsible, skilful, and cost-effective organization.

We also updated our CSR Programme during the review period to match the new strategy, together with the indicators we use to follow the implementation of the strategy.

Vladimir Abramov

Service Design Manager,
User Interfaces and
Customer Experience

"In 2019 and 2020, we prepared concepts and customer paths with the objective of ensuring a maximally seamless customer experience when compulsory authentication would be introduced to the slot machines. We carried out several experiments and prototypes which helped us to obtain valuable information on our customers.

The project had participants from different units in Veikkaus; and the contribution of people working at the gaming arcades and the other functions deserves special recognition, as they gave us valuable additional feedback and insight to our customers' needs. In October 2020 we had our first pilot slot machines out in the field. They helped us gain more certainty and trust towards the smooth functioning of the authentication methods and customer paths. At the same time, we identified several points of improvement and themes that we would be developing further in 2021.

Making the decentralized slot machines subject to compulsory authentication was a significant milestone; yet this is just the beginning of a long journey. In the next few years, we will be widening the authentication solutions to cover other services and improving the customer experience based on feedback and as necessary."

Four strategic priorities

1 Responsibility

We work for an even safer and more responsible gaming environment. Our goal is to offer a safe player experience and to reduce gambling problems.

By safe and responsible gaming environment, we mean that we take good care of the customers. This can be seen, e.g., in slots gaming. Veikkaus decided to bring forward the transition to compulsory authentication to January 2021 in stores, restaurants, kiosks, and service stations, and to June 2021 at Veikkaus gaming arcades. Compulsory authentication provides the players with the opportunity to set a permanent self-ban on their slots gaming, and it also enables us to prevent underage gaming more efficiently.

Our objective is to make all of Veikkaus games subject to compulsory authentication by the end of 2023. When the safer gaming environment, enabled by authenticated gaming, is complete in a couple of years, Veikkaus will be a trailblazer of responsible gaming even in the global context.

- We will renew the gaming control tools for all channels.
- We have reduced the number of slot machines and the marketing of games.
- We will develop measures based on customer data to improve player security.
- We will train our employees in responsibility matters and the related ways of acting.

2 Channelling capacity

We are developing our offerings to serve our customers in an outstanding way. We want to offer our customers a gaming service that is attractive, safe, and personalized just for them.

Our goal is to make the domestic demand for gambling games channelled to a reliable and supervised gaming environment as widely as possible.

Veikkaus aim is to secure its leading market position even in the digital, highly competitive, environment in Finland in 2025. The upcoming Lotteries Act reform plays a central role in how gaming is channelled toward Veikkaus' offerings in the future. The regulation makes Veikkaus' operations subject to a precise framework, which affects the company's capacity to channel gaming towards domestic offerings. Veikkaus uses clearly defined methods in marketing and sales promotion, as well as in game features. For example, we never offer free gaming money to the players, nor do we take aggressive measures to get people to play more.

- We will revise especially the range and features of our digital games.
- We will offer our customers digital services that expand the player experience irrespective of channels.
- We work continuously to improve the customer experience.
- The customers will find our game service attractive, safe, and personalized just for them.

3 New business

We will invest in the creation of new business. Our goal is to operate on the international business to business market of game development and services.

We aim to create new business that will generate significant revenue in 2025. Extensive development of the company's new business requires permission from the State, our owner.

- We combine the players, games, and solutions into omnichannel local services for our business customers.
- We innovate new solutions and concepts together with our customers for the gaming market.
- We aim to sell full-service solutions and offer a unique customer experience to international operators in the gaming business.
- We support the digitalization of national gaming companies through Veikkaus' knowhow and technologies.

4 We will build together the best place to work in the gaming industry

We will build together the best place to work in the gaming industry. We will invest in the development of culture, knowledge, and organizational structures. Our goal is an agile and modern company where people enjoy working.

We operate in an environment that is changing rapidly. This is both a requirement and an opportunity to us to continuously revise our ways of acting and our structures to meet the expectations of the environment and the customers in an optimal way.

We believe that a thriving, motivated, and skilful personnel is an important resource for the company. This is why one of our strategic priorities is strong investment in reform and development.

- We will develop smoother ways of operating together.
- We will involve all Veikkaus' employees in the realization of our common goals.
- We will increase our knowhow together and enhance internal mobility and cooperation.
- We will develop our management so that it helps us to achieve our goals.
- We care for each other and focus on building a positive employer image.

Strategic indicators

OBJECTIVE	INDICATOR	2020 REALIZATION
VEIKKAUS' SPECIAL MISSION	Prevalence of gambling problems at the population level (%) [1]	2.48% (objective: under 2.95%). Prevalence of gambling problems at the population level remained at a clearly lower level than the objective.
RESPONSIBILITY	Number of people having played authenticated during the year (.000)	There were a total of 1,808 players who played authenticated and who were thus covered by the responsibility tools (objective 1,880).
CHANNELLING CAPACITY	Market share of the digital channel (%) [2]	The market share 62.7% remained at a good level, despite unlicensed international offerings (objective 63.0%).
EXCELLENT CUSTOMER EXPRERINCE	Customer satisfaction (NPS) [3]	Average rate received in customer base survey trended upwards and reached the rate 18.58 (objective 25.0).
STRONG BRAND	Brand reputation (index) [4]	Brand reputation index trended upwards, reaching 3.34 (objective 3.50).
NEW BUSINESS	License to new business obtained and the first project under-way. Turnover of new business and portfolio value (€ million)	License linked to Lotteries Act reform: government bill to be submitted to Parliament in 2021.
BEST PLACE TO WORK IN THE GAMING INDUSTRY	Personnel satisfaction (index) [5]	The People Power index was at a good A-level 65.2 (objective 67.5).
EFFECTIVE OPERATIONS	Effective operations: costs / GGR (%)	Costs / GGR 32.9% (objective 27.5%).

As an indicator of performance-based compensation

1) *Population survey. Starting level 2019 defined on the basis of the average of the population surveys of 2017 and 2018.*
2) *Veikkaus' GGR from digital games; for other companies, an estimate by H2 Gambling Capital*
3) *Customer base survey, people having played during the past six months, by month.*
4) *Reputation & Trust survey (population level), measured twice a year, result of the last survey of the year*
5) *Personnel survey People Power index*

Responsibility

Channelling capacity

New business

Best place to work in the gaming industry

Over 1.8 million authenticated players

Veikkaus 2020

This Sustainability Report is based on Veikkaus' CSR Programme 2020–2025, approved by the company's Board of Directors in March 2020. The CSR Programme combines the goals, measures, and indicators of social responsibility that are important to us. It is organized into three priorities: 1) Responsible towards the players, 2) Responsible business, 3) Responsible for Veikkaus' employees.

Each priority has been assigned long-term commitments to describe our way of acting and to illustrate our objectives by 2025. The three priorities also cover the most central topics determined through stakeholder cooperation.

Our objectives and concrete actions are described in more detail in the following sections of this report. Our CSR reporting is guided by the standards of the Global Reporting Initiative (GRI) framework. In addition, the contents of the report have been drafted in the context of the common responsibility guidelines of the national gaming companies (European Lotteries CSR Guidelines).

SIGNIFICANT ACTIONS IN 2020

2020

- 12: *The update of the strategy, highlighting player-centred responsibility, was finalized.*
- 1: *The Ethical Advisory Board, appointed by the Board of Directors, started its operations.*
- 2: *The CSR Programme 2020–2025 was finalized.*
- 3: *We updated the company's Responsibility Principles of Marketing Communications.*
- 4: *We designed a study concept lasting for one month to the gaming arcade employees, to minimize the layoffs caused by the coronavirus pandemic.*
- 5: *We prepared a responsibility exam on marketing communications, which everyone working with marketing, including our external partners, must pass.*
- 6: *We made our model for the supervision of underage gaming stricter, and the reference age limit was raised to 30.*
- 7: *We decided to make all gaming subject to compulsory authentication by the end of 2023.*
- 8: *We designed a study concept of six online courses on responsibility, compulsory to all Veikkaus' employees.*
- 9: *We reduced the number of the slot machines at the points of sales (stores, kiosks, restaurants, and service stations) from 18,500 to 10,500.*
- 10: *We limited the number of slot machines per point of sales to four.*
- 11: *We launched a contacting pilot of customers playing a lot.*
- 12: *We made active efforts to increase authentication, and the slot machines of the retail network are subject to full authentication as of 12 January 2021.*

2021

- 1

The CSR Programme

Veikkaus' new CSR Programme 2020–2025 was finalized in March. Veikkaus' Board of Directors approved the choices related to the Sustainable Development Goals (SDG) of the UN, the long-term commitments, the material themes, and the upper-level operating plan, i.e., the goals and indicators.

The CSR Programme was built on the basis of the reformed strategy in cooperation with our external and internal stakeholders. We analysed the customers' expectations, interviewed representatives of the most important stakeholders, and listened widely to our employees' thoughts on responsibility in internal workshops.

Along with responsible gaming, the demand for more extensive social responsibility is increasing, as different stakeholders expect all companies to develop and promote, e.g., responsible decision-making, caring for the personnel, and environmental responsibility.

For the first time, Veikkaus' CSR Programme contains the UN Sustainable Development Goals (SDG) that are the most relevant to us. There are 17 goals, of which the most relevant to Veikkaus are: Good Health and Well-being, Gender Equality, Decent Work and Economic Growth, Peace, Justice, and Strong Institutions, as well as Partnership for the Goals.

THE MOST RELEVANT UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS FOR VEIKKAUS

VEIKKAUS CSR-PROGRAMME 2020–2025

RESPONSIBLE TOWARDS THE PLAYERS

Our commitment

- We prevent gambling problems and offer a responsible player experience.
- We offer a safe gaming environment and sell games to adults only.
- Our games are reliable.

2020

- We launched a project to build an updated gaming control concept.
- We launched a project to build a concept where the customers' gaming history, the gaming control tools, and the responsibility messages would be an inherent part of the gaming experience (responsibility-by-design).

INDICATOR: Number of customers having played authenticated during the year (2020 starting level 1,808,000 customers)

INDICATOR: Prevalence of gambling problems on the population level (2020 starting level 2.48%)

2025

- Compulsory authentication extended to cover all gaming.

GOAL: Authenticated gaming 100% in 2023

GOAL: Gambling problems on the population level: Veikkaus' share decreasing

RESPONSIBLE BUSINESS OPERATIONS

Our commitment

- Our operations are open and transparent.
- We act in an ethically sustainable way.
- We are a trailblazer of responsibility in the gaming business.
- We influence society in a positive way.

2020

- We prepared a study concept on responsibility of six online courses, compulsory to all Veikkaus' employees.
- We revised the compulsory training concept on responsible marketing, which includes an exam on responsible marketing communications and which everyone working with marketing, including our external partners in cooperation, must pass.
- We started to update the Compliance programme concept.

INDICATOR: Reputation&Trust survey: responsibility image (2020 starting level 3.1%)

INDICATOR: Cost-effectiveness: costs/GGR (2020 starting level 32.9%)

2025

Ensuring Veikkaus' positive social impact and reinforcing the responsibility image (revenue to society, management of gambling problems, channelling capacity).

GOAL: Reputation&Trust survey: Finnish companies TOP 10 (according to reputation)

GOAL: Improving cost-effectiveness

RESPONSIBLE FOR VEIKKAUS' EMPLOYEES

Our commitment

- Veikkaus is the best place to work in the gaming industry.

2020

We launched the "Best place to work in the gaming industry" project, which serves as a framework for working on the concepts that the change requires in cooperation with the employees.

INDICATOR: Personnel survey result (2020 starting level 66.2)

INDICATOR: Prevalence of gambling problems among employees (2020 starting level 3.8)

2025

- Continuous reform, skills development, and ensuring wellbeing at work. .
- Veikkaus is a trailblazer of responsibility in the gaming business.

GOAL: Veikkaus is the best place to work in the gaming industry.

GOAL: Veikkaus is a workplace without gambling problems.

Indicators

RESPONSIBLE TOWARDS THE PLAYERS	2020	2019	2018	2017
Share of authenticated gaming of GGR, % [1]	58.1	45	44.8	40.6
Money transfer limits reached per year, persons	737,000	742,000	692,000	-
Money transfer limits per month, (average) persons	330,000	305,000	273,000	-
Success in the prevention of gambling problems, % [2]	33	30	34	-
Public opinion on our success in age limit supervision, % [3]	64	64	61	57

[1] *The increase of 13 percent from the previous year was largely due to a drop in anonymous gaming, caused by slot machine closures.* [2] *Soruce: Taloustutkimuksen Omnibus survey. Survey claim: "Veikkaus prevents the occurrence of gambling problems through its actions." Number of respondents who agree totally or somewhat. A total of 4,000 annual respondents.* [3] *Source: Omnibus population survey by Taloustutkimus. Survey guestion: "According to the Lotteries Act, people under 18 are no longer allowed to play slots, not even when they are accompanied or given permission by an adult family member. Is the law implemented in practice in your view...?" Totally agree or somewhat agree. A total of 4,000 annual respondents.*

RESPONSIBLE BUSINESS OPERATIONS	2020	2019	2018	2017
Profit € million	680.2	1,009.4	1,014.2	1,021.3
Revenue to society € million [1]	862.4	1,246.6	1,265.6	1,273.8
GGR, € million [2]	1,260.3	1,690.7	1,759.0	1,777.8
Share of good causes of the GGR, % [3]	68.4	71.7	69.7	69.4
Share of problem gamblers of population, % in 2020 April/November 4]	2.3/2.6	3.1/2.9/2.8	2.8/2.6	3.1/3.3
Veikkaus' share of Finnish gambling market, % [5]	80	85	86	90
Net Promoter Score of digital gambling (NPS)	19	19	31	28
Opinion on the amount of Veikkaus' advertising, % [6]	66	61	69	-
Recommended decisions, number [7]	40	28	52	46
Recycling of slot machines, %	97	97	97	97

[1] *Revenue to society, including lottery tax and VAT.* [2] *The 25.5-percent decrease in the GGR was caused especially by the coronavirus epidemic* [3] *Veikkaus' profit and lottery tax in proportion to the GGR. The GGR is calculated by the deducting prize payout to players from the turnover.* [4] *Source: population surveys carried out by Taloustutkimus market research company and commissioned by Veikkaus, concerning the scope of gambling problems in the population, measured by usin the SOGS indicator. In 2017 and 2018, the results were obtained in April and December. In 2019, they came in April, August, and December, and in 2020 in April and November. Each survey round had 5,000 respondents.* [5] *The reporting method changed in 2018. The offshore gaming market share in based on an estimate by H2 Gambling Capital. The market share reported in the CSR report of 2017 was based on Veikkaus' own estimate concerning offshore gaming.* [6] *Source: Omnibus population survey by Taloustutkimus. Survey question: "What do you think about Veikkaus' advertising in Finland?" Way too little or too little, and I am pleased with the present amount of advertising. 4,000 respondents. The question was asked in 2018 for the first time.* [7] *Strong consumer protection guarantees customers' legal protection in possible problematic situations, where they feel that they have been treated unjustly. In such cases, the customers may ask the authorities for a recommended decision.*

RESPONSIBLE FOR VEIKKAUS' EMPLOYEES	2020	2019	2018	2017
Employee commitment index [1]	66.2	57.7	65.9	61.5
Share of employees worried about their gaming, % [2]	3.8	4.1	4.2	3.8
Share of employees having taken the online training course concept on responsibility, % of the personnel [3]	99	61	73	-

[1] *Source: Personnel Survey, Corporate Spirit* [2] *Source: Personnel Survey, Corporate Spirit. Survey claim: "I have experienced that my gambling has been problematic during the past year". Totally agree or somewhat agree.* [3] *In the years 2018–2019, the Ethical Guidelines online course was targeted at new employees. In 2020, we reinforced the personnel's knowhow in responsibility matters by updating and extending the responsibility training concept with six new online courses: 1) Responsibility at Veikkaus 2) Responsibility: Ethical Principles 3) Prevention of money laundering at Veikkaus 4) Data Protection – GDPR 5) Basic course in Data Protection 6) The Joy of Gaming belongs to us. All of the six online courses are compulsory to all Veikkaus employees.*

Ethical Advisory Board provides an external view and expertise

CSR management

The goal of Veikkaus' strategy is to provide an even safer and more responsible gaming environment to the players. Furthermore, strengthening our social acceptability and responding to the demands of the constantly changing operating environment require that we act in seamless cooperation both internally and with our external stakeholders. Veikkaus' CSR management focuses on our responsibility towards the players; we wish to provide them with a way and place to play our games, which are responsible and reflect genuine care for the players.

The Executive Team is in charge of the priorities of CSR. The Legal Affairs and CSR function has a CSR Unit, which acts as a special advisor in the development and different projects of CSR. The unit coordinates and reports on actions promoting CSR together with other units and teams. The CSR Unit is supervised by the VP, CSR, whereas the CSR issues in the Executive Team belong to SVP, CSR.

Veikkaus' Board of Directors and Supervisory Board discuss CSR topics regularly in their meetings. The duties of the Board of Directors' Audit Committee were extended in the review period to cover not only the duties that previously belonged to the Audit Committee but also the processing and monitoring of issues associated with the company's mission and CSR. The name of the committee was changed to Audit and CSR Committee.

The Supervisory Board issues annually a report on the development of Veikkaus' gaming operations and the prevention of gaming-related harm to the Prime Minister's Office in the General meeting. The report will be published at Veikkaus' website.

In 2020, a new Ethical Advisory Board, appointed by Veikkaus' Board of Directors, started its operations. The Ethical Advisory Board acts as an external advisory body of specialists to the company's Board of Directors and the operative management. The purpose of the Advisory Board is to offer an external view on gaming to the company's Board of Directors and the operative management. The Ethical Advisory Board focuses especially on questions associated with the ethics of marketing, gaming-related harm, and issues associated with the social impacts of gaming.

ETHICAL Advisory Board

Chairperson
Saija Kivinen
Legal and Regulatory Affairs
Telia Finland Oy

Members:

Susanna Raisamo
Research Manager
Alcohol, Drug and Addictions Unit
Finnish Institute for Health and Welfare

Lassi Rajamäki
CEO
Sosped Foundation

Mikko Meriläinen
Researcher
University of Tampere

Terhi-Anna Wilska
Professor of Sociology
University of Jyväskylä

Jani Halme
Creative Director
Toinen PHD

Working for responsibility in the gaming industry

Veikkaus' vision is to be a trailblazer of a responsible customer experience. In everything we do, we want to prioritize the gaming services we provide to our customers, together with a safe gaming environment.

We engage actively in the work of the international umbrella organizations of the gaming industry, where we strive to share our knowhow while learning from other operators. Veikkaus' President and CEO is a member of the Executive Committee of the European Lotteries (EL), and we have representatives in the working groups of various international organizations.

We have been granted responsible gaming standards by the following international umbrella organizations of the gaming industry: World Lottery Association (WLA), European Lotteries (EL) sekä European Casino Association (ECA). In 2020, we passed the intermediate assurances of the responsibility standards of both the EL and the ECA. At the end of 2021, we will be subject to another triannual full assurance for the EL standard, conducted by an external assurance body.

International product development cooperation

Lotteries Entertainment Innovation Alliance, i.e., LEIA is an international company founded by five national lotteries in 2018, which decided to strengthen its innovation work at the end of 2020 and seek support for it from LEIA member lotteries. LEIA is owned by Danske Spil, Française des Jeux, Norsk Tipping, Svenska Spel, and Veikkaus. The objective of LEIA is to reinforce product development in the member companies and to generate new types of contents.

WORLD LOTTERY ASSOCIATION
WLA
CERTIFIED
WLA RESPONSIBLE GAMING FRAMEWORK
LEVEL 4 / VALID UNTIL 2022

THE EUROPEAN LOTTERIES
RESPONSIBLE GAMING CERTIFIED

Responsible Gambling Certified
EUROPEAN CASINO ASSOCIATION

Stakeholder cooperation

Open two-way interaction with stakeholders is an essential part of Veikkaus' social impact. Veikkaus wants to listen to and understand its stakeholders' expectations, seek solutions, and develop its operations to respond to them. Knowing these expectations, responding to them, and maintaining trust towards Veikkaus' operations are the prerequisites of success for Veikkaus. Veikkaus wants to communicate openly about its operations and constantly develop new forms and ways of active stakeholder interaction.

STAKEHOLDER	Ways and channels of interaction	Key themes and expectations	Year 2020
Customers *Players of Veikkaus games*	Customer service. Regular surveys, studies, and interviews. Veikkaus' website, Veikkaus App, and social media channels. Communications and marketing.	Responsible authenticated gaming at the core, realized through a personal and personalized customer experience. Confidentiality of customer data and reliable payment transactions.	Customers guided to take up authenticated instead of anonymous gaming. Objective of customer experience defined. The customer experience aims at satisfied customers playing on the joyful side, as our brand promise suggests. Veikkaus ranked among TOP 10 out of 56 organizations in the Customer Experience Index survey. The 2020 survey focused on analysing how Finnish companies had helped their customers and taken care of them during the time of the coronavirus.
Game salesclerks, retailers, and retail chains *Retailers in a contractual relationship with Veikkaus, salesclerks selling Veikkaus games, and retail chains.*	Retailer agreements, marketing guidelines, training courses, the Myynet extranet service for points of sales and game salesclerks, a closed Facebook group for game salesclerks, Veikkaus-uutiset (Veikkaus News) newsletter distributed to the points of sales, cooperation with the retail trade chains.	Responsible, secure, and authenticated gaming as part of the customer experience and game salesclerk training, as well as communications. Supervision of the gaming age limit of 18 and the reference age limit at the points of sales; implementing responsible game sales, monitoring of money laundering, and marketing at the points of sales.	Veikkaus removed 8,000 slot machines from its retail network during the year. In addition, Veikkaus decided that there could only be a maximum of four slot machines in a single point of sales. Veikkaus' point-of-sales network was reduced by ca. 1,000 points of sales as compared with the previous year. At the end of the year, we initiated the launch of the Responsible Game Sales online course, which must be taken annually. The course contains information on, e.g., age limit controls, gaming control tools, the prevention of money laundering, and other guidelines concerning responsibility. Responsibility is a prominent part of all game salesclerk training concepts and salesclerk communications. Brochures of the Finnish Gambling helpline Peluuri are available to customers at all gaming locations.

STAKEHOLDER	Ways and channels of interaction	Key themes and expectations	Year 2020
Personnel *Veikkaus' personnel at the head office and the regional offices, a total of 1,600 employees (at the end of 2020)*	Intranet as the main internal communications channel, where people can comment on the news. Every employee can create content, news, and blogs, and thereby develop our culture. Wide-ranging internal events with a strong focus on interaction. We carry out a personnel survey, Pulse surveys, and success review discussions. We encourage increasing dialogue between the supervisors and the employees. Employees can report on compliance issues via a special reporting channel and email. A special Viestiheimo group ("Communicators' Tribe", currently with 240 employees from all our functions as members) shares and produces information on the intranet. The members of the group act as inspirers and pilots on new themes.	In 2020 we launched the Best place to work in the gaming industry programme with six sections: coaching management, growth opportunities, productive working environment, health and wellbeing, meaningful work, mutual trust, and well-flowing work. "Responsible for Veikkaus' employees" is one of the three priorities of the new CSR Programme.	We offered the employees a training course titled "Pelialan parhaat" ("Best of in the gaming industry") and other CSR training courses. All supervisors were provided with guidelines on coaching management and the related training sessions. We carried out a pilot of 360 measurement based on the leadership principles and a 270 pilot. We launched a training programme on the basics of supervisor work at Veikkaus. We launched an exam in responsible marketing, which every employee working with marketing must pass. For the rest of the employees, the exam in voluntary. We made live or recorded broadcasts of Veikkaus Now! info events for the personnel, aired every month. At the beginning of the year, we organized a Veikkaus OPEN virtual tour, and a virtual discussion forum at the end of the year, with lively discussion on the core strategic priorities and their implementation We launched a project on the working practices of the new era. We introduced our Employer Story. Operating model on early intervention and the related "Välitä!" ("Do care!") supervisor training sessions. We adopted the One HR -service model. We organized communications and content provider training for the Communicators' tribe.
Beneficiaries *Beneficiaries of grants based on Veikkaus' revenue*	Regular contacts, meetings, digital contact channels, and events. Communications concerning the use of the revenue.	Acceptance of Veikkaus' operations. Scope, continuity, and targeting of revenue. Cooperation over chosen themes.	We informed our beneficiaries actively about Veikkaus' responsibility, return to society, channelling capacity, exclusive right, and other themes and topical issues.
Political decision-makers *Finnish Parliament, Council of State European Parliament and Commission*	Regular meetings in Finland and at the EU level according to a separate influencing plan. Supervisory Board. Interim reports and CSR reporting. Continuous dialogue.	General acceptance of Veikkaus' operations. Responding to changes in the operating environment and legislation.	In 2020, the contacts took place primarily via remote connections due to the coronavirus epidemic. Following the Government Programme, the second stage of the Lotteries Act reform was initiated. The reform aims at the development of the system based on a monopoly system with channelling capacity.
Ownership, steering, ministries, and authorities • *Ownership Steering Department in the Prime Minister's Office* • *Ministry of the Interior* • *National Police Board* • *State Supervisors* • *Ministry of Social Affairs and Health and the Working group on the evaluation of the risks and harms associated with gaming* • *Ministry of Education and Culture* • *Ministry of Agriculture and Forestry* • *Finnish institute for health and welfare*	Regular contacts related to Veikkaus' strategy and the building of a responsible gaming ecosystem. Close dialogue concerning the preparation of legislation and supervisory practice (Ministry of the Interior National Police Board, State Supervisors). Regular contacts concerning responsible gaming and revenue development (Ministry of Social Affairs and Health, Ministry of Education and Culture, Ministry of Agriculture and Forestry). Cooperation and information sharing concerning the development of and research into gaming-related harm (Finnish institute for health and welfare, evaluation working group).	Justification of the exclusive rights system, channelling capacity, and acceptance. Veikkaus' strategy and competitiveness. Prevention, monitoring of and research into gaming-related harm.	According to the approved strategy, we continued to build Veikkaus' responsible gaming ecosystem in close dialogue with the ownership steering and the Ministry of the Interior. The legislative reforms needed to realize the responsibility measures are included in the draft of the second stage, which was published at the end of the year. The responsibility measures will reduce Veikkaus' GGR by €300 million annually. Veikkaus has regularly informed, e.g., the beneficiary ministries about the revenue prospects.

STAKEHOLDER	Ways and channels of interaction	Key themes and expectations	Year 2020
CSR operators • *Finnish Gambling helpline Peluuri* • *Other operators fighting bamng-related harm* • *Ethical Advisory Board*	Meetings, exchange of information, regular dialogue. Reports and statistics. Conferences.	Inclusive and open dialogue on the prevention of gaming-related harm. Ethics of the games and their marketing, gaming-related harm, the social impacts of gaming.	We finance Peluuri's operations and inform people about Peluuri's services in our own communications channels. In addition, we improved Peluuri's prominence on the digital screens of the gaming arcades and the retail outlets. We engaged in dialogue with the operators working to fight harm associated with gaming (e.g., Peluuri, Sosped Foundation, Finnish Association for Substance Abuse Prevention Ehyt) concerning the measures that we could take in order to better prevent gaming-related harm. The Ethical Advisory Board appointed by Veikkaus' Board of Directors met five times during its first year of operations. The purpose of the Ethical Advisory Board is to provide an external view on responsible gaming to the company's Board of Directors and the operative management.
Partners • *IT and game supplier partners* • *Advertising, media, production, and communication agencies* • *Sponsorship partners* • *International cooperation organizations: World Lottery Association (WLA), European Lotteries (EL), European Casino Association (ECA), and our colleague gaming companies.*	Cooperation contracts and active cooperation Cooperation contracts, meetings, continuous contacts. International seminars, conventions, and meetings. WLA Magazine, EL Magazine, EL News Briefing.	Innovative, responsible and versatile game provision and gaming services. Open, reliable, and long-term cooperation. Developing the brand image and channelling gaming towards safe games. Active operations and participation in the development of the gaming industry.	We aim at long-term, tendered contracts, and far-reaching, confidential cooperation. We launched an exam in responsible marketing, which every employee working for an advertising or communications agency doing marketing for Veikkaus must pass. We carried out a tender process of communications agencies. We passed the requirements of the PCI DSS standard, audited by F-Secure. Further, Kiwa Inspecta audited our compliance with the ISO 9001, ISO/IEC 27001, and WLA-SCS standards. The scope of application of the certificates corresponding to the three afore-mentioned standards is the whole Veikkaus. We passed the interim assurances of the responsible gaming certificates of the European Lotteries (EL) and the European Casino Association (ECA). Veikkaus' President and CEO acted as a member of the Executive Committees of European Lotteries (EL). Veikkaus has representatives in several working groups of various international organizations.
General public *Everyone living in Finland*	The traditional media, social media channels, communications and marketing.	Openness and reliability of operations. Revenue to the welfare of people living in Finland. Active prevention of gambling problems. Prevention of underage gaming. Responsible employer.	We communicate openly and reliably on the company's operations, providing games responsibly. Veikkaus' revenue is channelled to the advancement of the welfare of everyone living in Finland through the State Budget.

VEIKKAUS

RESPONSIBLE TOWARDS THE PLAYERS

RESPONSIBLE TOWARDS THE PLAYERS

In 2020, Veikkaus developed several solutions supporting safer gaming for its customers. They help us to build a responsible gaming environment, with the objective of keeping gaming on the joyful side without the drawbacks that may be associated with gaming in general.

Promoting authenticated gaming

The measures associated with authenticated gaming are key to the prevention of the potential problems caused by gaming. At the end of 2019, Veikkaus announced that it would bring forward compulsory authentication on slot machines by a year from what Parliament had decided. The obligation to authenticate oneself whilst gaming on slot machines in stores, restaurants, kiosks, and service stations entered into force in January 2021, whereas the initial date would have been January 2022.

In August 2020 we decided to also bring forward the introduction of compulsory authentication at the gaming arcades within the framework of the new Lotteries Act or the related decrees. The current plan is to introduce the obligation to authenticate oneself at the Pelaamo and Feel Vegas arcades and Casino Helsinki in summer 2021. It had been previously planned that the arcades would not have been subject to compulsory authentication until the beginning of 2023.

Through compulsory authentication and the other gaming control tools, we wish to build a gaming environment that helps us to bear our responsibility for those who cannot keep their gaming under control without compulsory restrictions.

Juha Kukkasela

Maintenance Manager,
Point of Sales Services

"Our original plan at the beginning of the year was to reduce the number of slot machines in Veikkaus' retail partner network by 3,000 during the year 2020. The project was started successfully. At the same time, Veikkaus' maintenance team was installing covid protections at the points of sales on a tight schedule.

In June, it was decided that 5,000 more slot machines should be removed. We made our work smoother by making the processes faster and more cost-effective. These changes were necessary, as our HR resources were limited, and our storages and facilities were quickly filling up with removed slot machines. During the second half of the year, we removed a total of over 6,000 machines.

The year 2020 was unprecedented in terms of workload. However, we were all working towards one goal – to finish the project on time. Teamwork turned out indispensable and cooperation was smooth throughout Veikkaus. Thanks to our good team spirit, we managed to complete the project according to schedule."

Loss limits and age limit controls

In 2020 we expressed a wish that social decision-makers would enable the application of the maximum loss limit, which currently covers the fast-paced online games, directly to the slot machines in the retail network.

The shared loss limit of online games and the fast-paced games of the retail network will become effective in summer 2021, when all the slot machines are within the scope of compulsory authentication. This plan will cover the decentralized slot machines in stores, service stations, kiosks, and restaurants, as well as those of the Pelaamo and Feel Vegas arcades.

Besides slots gaming at the retail outlets, the loss limits of the digital fast-paced games (€/day and €/month) will be extended to cover the table games (excl. Casino).

The restrictions will not cover Casino Helsinki. The loss limits have been set at €1,000 a day and €2,000 a month by a Ministry of the Interior Decree. However, the Ministry adjusted the limit at the end of the year to €500 a day and €2,000 a month due to the coronavirus epidemic.

Compulsory authentication is also a very important tool for successful age limit supervision. All Veikkaus games are for adults only. A player's identity is verified, e.g., on slot machines either with a Veikkaus Card, only granted to people over 18, or a debit card linked to the player's Loyal Customer status.

We are continuously innovating new measures based on authenticated gaming and, consequently, on a customer experience that adds to the players' safety and pleasure, while listening closely to our environment. Our aim is to make all gaming subject to the obligation to authenticate oneself in 2023.

State-of-the-art gaming control tools and supporting players in the self-management of gaming

Gaming control concept

Our strategy centres on responsibility towards the players and safe gaming. In 2020, our efforts to develop gaming control, with the introduction of compulsory authentication to the slot machines, targeted at offering our customers significantly better control tools. The slot machines and table games (excl. poker) will be covered by compulsory loss limits that apply to all the fast-paced games. The same timeframe of compulsory authentication will also concern Veikkaus gaming arcades and points of sales, including the table games.

Fast-paced gaming at the Feel Vegas and Pelaamo arcades will be made subject to both compulsory authentication and the obligatory loss limits. The maximum loss limits are €1,000 a day and €2,000 a month. Due to the coronavirus pandemic, the maximum limits have been subject to temporary changes, following decrees by the Ministry of the Interior.

Gaming control in the digital channel

Everyone playing in the veikkaus.fi online service must set daily and monthly money transfer limits before they can transfer funds to their game account. Before playing the fast-paced games in Veikkaus' online service, the players must set a monthly and daily loss limit. Such games are the online scratchcards, slots games, eBingo, the table games (excluding poker) and Tähdenlento.

Compulsory authentication is an important tool for successful age limit controls

GAMING RESTRICTION CONCEPT IN THE DIGITAL CHANNEL: GAMING LIMITS	2020		2019		2018	
Money transfer and loss limits (set by the customers)	**daily limit**	**monthly limit**	**daily limit**	**monthly limit**	**daily limit**	**monthly limit**
Money transfer limits reached, €, (average)	36	166	38	181	38	184
Money transfer limits reached /day, (average) persons	17,759	99,585	16,529	84,153	15,857	74,025
Money transfer limits reached, total per year, persons	737,166	330,711	741,636	304,585	692,428	272,825
Money transfer limits reached, €, (average)	31	187	33	184	43	231
Money transfer limits reached /day, (average) persons	4,554	25,770	3,987	20,235	3,461	19,739
Money transfer limits reached, total per year, persons	179,128	107,212	174,724	87,661	154,505	78,812

Effective game exclusions	2020	2019	2018
Number of effective game exclusions, (31 Dec), pcs	23,650	20,918	16,170
Number of permanent game exclusions (31 Dec), pcs	9,956	8,021	4,788
Use of panic button, times	19,273	16,522	18,243
Use of panic button, persons	11,207	9,689	9,988

During 2020, over 330,000 customers played until they reached the monthly money transfer limits they had set by themselves. This means that they could not transfer any more money to their game accounts during that month. The self-imposed money transfer limits hit by the customers were 36 euros per day on the average and 166 euros per month on the average. The average respective loss limit amounts were €31 and €187. Nearly 10,000 people had permanent game exclusions, effective until further notice, at the end of 2020. They had made all their gaming in Veikkaus' digital game services subject to self-exclusion, without setting an end date. The removal of a self-exclusion effective until further notice requires at least one year's effective period, followed by a reconsideration period of three months

Customers can choose to set a complete self-exclusion on their slots gaming

ENTRY BANS AND RESTRICTIONS, AND INTERVENTION DISCUSSIONS	2020	2019	2018	2017
Voluntary entry bans, other than the Casino	359	616	409	359
Voluntary entry bans and restrictions at the Casino	220	426	486	560
Entry bans and restrictions set by the Casino, associated with gambling problems	45	74	58	48
Intervention discussions with customers at the Casino 1)	23	23	5	4
Returning discussions with customers at the Casino	318	451	508	524

1) *In some cases the intervention discussions are part of returning discussions, when an intervention discussion takes place in connection with the returning discussion.*

The Casino has the right to prevent a customer from entering the Casino by virtue of the Lotteries Act, if gaming has caused, or will be likely to cause them social harm based on economic or health-related reasons. Such entry bans and restrictions made on the Casino's initiative totalled 45 in 2020. The Casino's responsibility procedures include, as an essential part, returning discussions with such customers that wish to return to the Casino after an entry ban. These discussions are a prerequisite for the continuation of the customer relation. During the year under review, the Casino was closed for a part of the year, and this shows especially in the number of the entry bans.

Setting the obligatory limits guide the players to think about their expenditure on gaming before starting to play. We introduced the obligatory money transfer and loss limits to the digital channel in December 2017.

Players also have the opportunity to impose a self-ban on their online gaming of individual games and/or game groups, and to block all their digital gaming until further notice. On the frontpages of each of the games (online and slot machine), players can block their gaming with immediate effect until the end of the following day (Panic button).

The other gaming control tools include an obligatory time reminder and game history, where the customers can view their gaming as a whole in a summary of their game account in veikkaus.fi.

We pay attention to the game bans set by the customers in all our customer communications and marketing. We never target direct marketing at customers having opted for a self-ban.

We revised the Gaming control pages on our website veikkaus.fi at the end of the year. We also updated the pelaamaltilla.fi (play moderately) site.

Gaming control on the slot machines at the points of sales of the retail network

We developed the gaming control options in the decentralized slot machines of our retail partner network, to prepare for compulsory authentication, introduced in early 2021. We also made available to our customers a time reminder, reminding them about the time they have spent on slots gaming every 15 minutes. When playing authenticated, players can also block their gaming until the end of the following day by pressing the instant Panic button on the slot machine.

The points of sales and the slot machines of Veikkaus' own production at the gaming arcades are subject to obligatory limits, whenever the customers are using a payment card to play. All the payment cards are subject to a default loss limit of 50 euros a day, which the players can adjust to range between 0 and 100 euros on the slot machine payment terminal.

Loyal Customers can link their personal payment card to their Loyal Customer status in the online service or on a slot machine. Whilst linking a payment card, the players must make their gaming subject to obligatory daily and monthly loss limits. If a customer is playing as a Loyal Customer, they can view their gaming as a whole in the gaming history section of the Oma Veikkaus site.

Compulsory authentication enables the adoption of new gaming control tools on the slot machines. It also offers our customers, e.g., the option of setting a total self-ban on their slots gaming. To do that, they must opt for a permanent game exclusion.

From July to the end of the year, the slot machines were closed every day from 4:00 a.m. to 11:00 a.m. With this measure, we wanted to offer problem gamblers a chance to do their shopping without being tempted to play slots.

Gaming control at Veikkaus arcades

At Veikkaus' own gaming arcades, i.e., the Pelaamo and Feel Vegas arcades, the customers can opt for an entry ban. In addition, if a customer is playing as a Loyal Customer, they can view their gaming as a whole in the gaming history section of the Oma Veikkaus site.

Once a player enters into the Casino, their identity is verified. The Casino will prevent the customers from entering if they have an effective entry ban. When a customer having requested an entry ban returns to the Casino, they must join a returning discussion in order that we can ensure that they genuinely want to get back to gaming. The gaming arcades also make available information on the services of the Finnish Gambling Helpline Peluuri. There are always personnel present at the gaming locations, and they can advise players in gaming management issues.

Gaming control tools in Veikkaus' sales channels

VEIKKAUS.FI AND VEIKKAUS APPLICATION

Limits

- Every player must set daily and monthly money transfer limits on their gaming. The limits are the maximum amounts that players can transfer from their bank accounts to their game accounts.
- Players engaging in fast-paced games (online scratch cards, slots games, eBingo, table games (excl. poker), and Tähdenlento) have to set daily and monthly loss limits. The loss limits are amounts that the players can lose at the maximum during a day or a month.

- A raise of the money transfer and the loss limits becomes effective starting from the beginning of the following limit period – whereas a lowering of the limits becomes effective immediately.
- Money transfers to game accounts cannot be done in the night-time between 0:00 and 6:00 am.

Game bans

- By using the Panic button, the players can block all their digital gaming until the end of the following day.
- The players can set a temporary game ban on individual games or game groups, as well as on all digital gaming. Loyal Customers can also block their authenticated gaming on slot machines.
- All digital and/or slots gaming can be made subject to a game ban until further notice.

Gaming summary

- Loyal Customers can view their gaming history at veikkaus.fi and in the Veikkaus App.

Time reminder

- Loyal Customers have a compulsory session timer, which gives the alarm of the time spent on gaming every 60 minutes. The timer can be set to be shown even more frequently.

Game test

- A chance to consider one's own gaming by answering 16 questions and receive feedback on the answers.

Pelaamaltilla.fi

- Veikkaus' responsible gaming website pelaamaltilla.fi offers a package of data on gaming control and encourages players to contact support services.

Help available

- When a player has opted for a ban on digital gaming until further notice, they are offered a chance to be contacted by Gambling Helpline Peluuri.

Age limit control

- In order to register, you must be at least 18. We verify the ages with the population data system maintained by the Digital and Population Data Services Agency.

PELAAMO AND FEEL VEGAS ARCADES

Entry ban

- Customers can opt for a temporary entry ban, i.e., restriction on entry to the arcades.
- Personnel present and easily approachable. They will offer guidance on the options to control gaming.

Game exclusions

- Loyal Customers can ask for a temporary game exclusion or an exclusion until further notice on their authenticated slots gaming. To play at a gaming arcade, customers must carry an effective identity document with a photo (passport, ID card, Finnish plastic driving license, alien's passport, or refugee's travel document).

Help available

- When a customer has opted for an entry ban, they are offered a chance to be contacted by Gambling helpline Peluuri.
- Peluuri's brochures are on display and easy to find.

Age limit controls

- Age limit controls mean that everyone looking under 30 must prove that they are 18 or over.

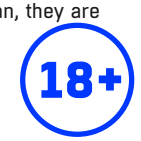
CASINO

Entry bans and returning discussions

- Customers can opt for a temporary entry ban or a limited number of entry times.
- The Casino may also impose a temporary entry ban on a customer.
- When a customer having requested an entry ban returns to the Casino, they must join a returning discussion in order that we can ensure that they genuinely want to get back to gaming.
- The personnel are present and easily approachable. They will offer guidance on the options to control gaming.

Help available

- When a customer has opted for an entry ban, they are offered a chance to be contacted by Gambling helpline Peluuri.
- Peluuri's brochures are on display and easy to find.



Age limit controls

- To register, the customers must be at least 18. Their age is verified on registration.

SLOT MACHINES

Time reminder

- When playing slots on decentralized slot machines and the domestic slot machines at the gaming arcades, players have access to a time reminder, reminding about the time they have spent on slots gaming every 15 minutes.

Loss limits

- When using a debit card to play, the players are subject to a default loss limit of €50 a day. The limit can be changed to range between €0 and €100 a day on the payment terminal.
- When using a payment card linked to the Loyal Customer Status, playing is subject to daily and monthly loss limits. Players must set the limits on a slot machine or at veikkaus.fi when linking their card.

Game exclusions

- By using the Panic button, players can block their authenticated slots gaming.
- Loyal Customers can make their authenticated slots gaming subject to a temporary game exclusion or an exclusion until further notice.

Help available

- Peluuri's brochures are on display and easy to find.

PELUURI
Finnish Gambling Helpline

Toll-free helpline
tel. 0800 100 101
Open daily 12:00–18:00,
on Mondays even in Swedish.

peluuri.fi

Our cooperation with PELUURI

When a player has opted for a game exclusion in the digital channel or an entry ban to an arcade, we offer them a chance to be contacted by Finnish Gambling Helpline Peluuri. The service offers players a chance to talk about their gambling problem – or that of a person close to them – with a professional and thus access proactive help with a low threshold.

What is Peluuri?

Peluuri's nation-wide, anonymous, and toll-free services offer support, guidance, and advice in gambling problems. The services provide an opportunity to the players and their family and friends to talk about their situation and get support in problems associated with gaming. Peluuri's services are intended for players, their closest ones, and people encountering gambling problems in their work.

Peluuri's nation-wide services

HELPLINE AND CHAT
The helpline and chat offer professional support, guidance, and advice.

OMAPELUURI 24/7
Peer support groups and other online tools.

TEHOSTARTTI GROUP FOR PLAYERS
A guided online peer support group.

THE TIME TO FOLD PROGRAMME
An eight-week online therapy programme with support from a personal therapist.

LOPPUPELEISSÄ CHAT
Real-time group chat for players once a month.

VALTTI AND HERTTA FORUMS
Valtti (for players) and Hertta (players' family and friends) are open discussion forums.

PELUURI.FI DATA BANK
- Information on gaming and gaming-related harm
- Tests and self-help material
- Information on support and treatment options

Financing the research into gaming-related harm by the Ministry of Social Affairs and Health and the operations of Finnish Gambling helpline Peluuri

Veikkaus finances research into gaming-related harm and the development of treatment coordinated by the Ministry of Social Affairs and Health, in compliance with section §52 of the Lotteries Act, with around two million euros every year. Following a decision by the company's Board of Directors, Veikkaus finances the operations of the Finnish Gambling helpline Peluuri, totalling EUR 950,000 a year.

INVESTMENTS IN THE PROMOTION OF RESPONSIBLE GAMING, €	2020	2019	2018	2017
Funds to the Ministry of Social Affairs and Health for research into the harmful effects and development of treatment [1]	2,200,000	2,300,000	2,200,000	1,900,000
Financing of the service concept of the Finnish Gambling Helpline Peluuri	950,000	950,000	950,000	950,000 [2]
Research and survey concerning the harmful effects of gambling commissioned by Veikkaus [3]	167,000	240,000	160,000	160,000
Preparing for compulsory identification as expenses of the actual project [4]	3,100,000	1 800,000	2,100,000	-

[1] Veikkaus finances research into gambling-related harm and the development of treatment coordinated by the Ministry of Social Affairs and Health, in compliance with section §52 of the Lotteries Act, according to the invoicing by the Ministry. [2] In 2017 Veikkaus' Board of Directors decided to double the financing of Peluuri, raising it to EUR 950,000 a year. The raise aimed at ensuring that the online programme Peli poikki (Time to Fold), targeted at problem gamblers could be continued, and that the service could be developed to meet the needs of the customers. [3] Surveys on gambling problems of the population level have been conducted mainly twice a year, but in 2019, they were made three times. [4] The preparations for compulsory authentication focused especially on the concept concerning the decentralized slot machines in 2020. In addition, we launched projects to carry out compulsory authentication covering, e.g., the slot machines and table games at the gaming arcades. The compulsory authentication introduced to the casinos is being prepared as part of a larger reform project of the casino system.

Promoting safe gaming through data, surveys, and research

In 2020, just like in the previous years, we commissioned two extensive population-level surveys from market research company Taloustutkimus, to analyse Finnish gaming and the prevalence of gambling problems. We want to follow closely the development of population-level gambling problems in order to understand the potential effects of our actions on the prevention of gaming-related harm, and to share the information with others. The prevalence of gambling problems was analysed by using the SOGS-R questionnaire.

During the surveys, ca. 5,000 citizens between the ages 15 and 79 were interviewed in the spring and the autumn. The average prevalence of gambling problems in the two surveys of the year 2020 was 2.5 percent (population estimate 102,000). The prevalence of the year 2020 was the lowest in the series of surveys started in 2017. It is still too early to estimate whether the decrease in the game provision caused by the coronavirus epidemic had an effect on the prevalence of the gambling problems.

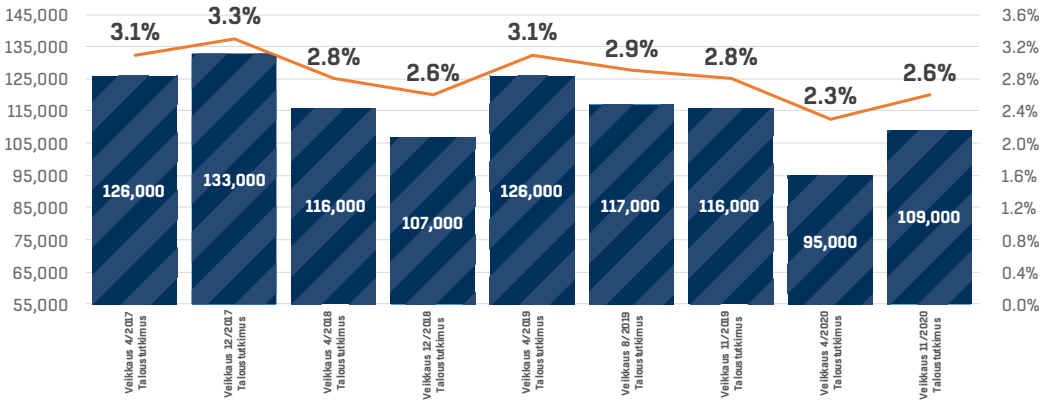
In the autumn survey, 24 percent of the respondents cited Veikkaus as the only game provider causing problems, while the respective percentage had been 26 in the spring. The share of the respondents to cite only offshore providers as the cause for their problems was 21 percent in the autumn, whereas the respective share had been 15 percent in the spring.

According to the population surveys,

2.5%

of the respondents had experienced gambling problems

SHARE OF PROBLEM GAMBLERS OF POPULATION 2017–2020
Population estimate and share of population, %



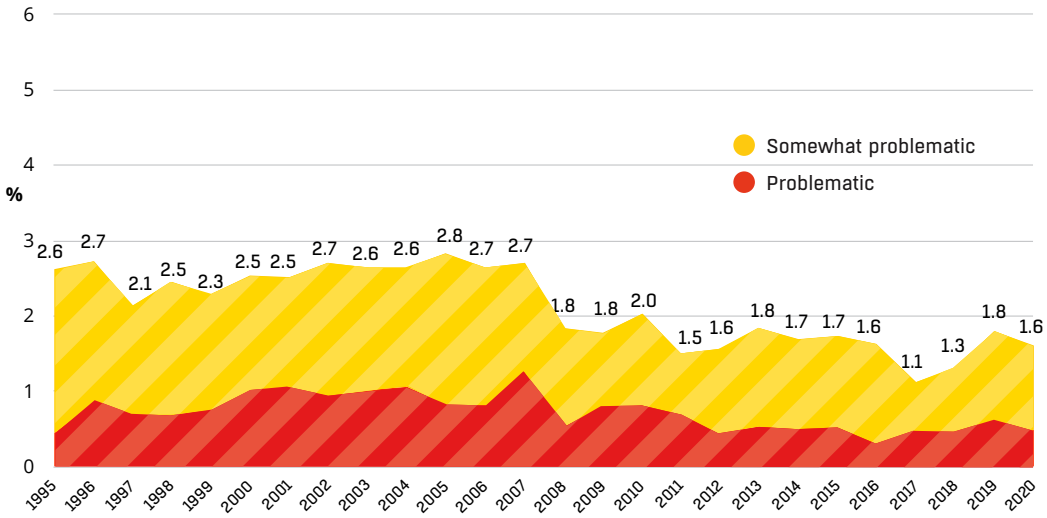
Source: population surveys carried out by Taloustutkimus research company and commissioned by Veikkaus, concerning the scope of gambling problems, measured by using the SOGS indicator. A total of 5,000 respondents every year. Margin of error +/-0.49 percentage points.

In the Pulse surveys,

2.1%

said they had had problems in controlling their gambling

POPULATION SHARE OF PROBLEMATIC SLOTS GAMBLING 1995–2020



Source: Taloustutkimus population survey. Survey claim:"I play slots to a problematic degree" and "someone else in the same household plays slots to a problematic degree". Number of respondents who agree totally or somewhat. A total of 4,000 annual respondents. Margin error +/- 0,4 percentage points.

The Pulse surveys

To follow the development of gambling problems, we also use a survey question referred to as the pulse question, part of the Omnibus survey by the market research company Taloustutkimus: "I have experienced problems whilst trying to control my gambling during the past year". Every year, we ask ca. 10,000 people to answer this question. The number of respondents who agree totally or somewhat was 2.1% in 2020 (2.9% in 2019).

Population share of people playing slots to a problematic degree

The share of people playing slots to a problematic degree has been studied through the Omnibus survey since 1995. In 2020 ca. 1.6% of the respondents said that they or a person living in the same household played slots to a problematic degree (1.8% in 2019).

Due to the regulations of the data protection legislation, we could not use the VasA model during the reporting period, which indicates gaming at a risky level and was developed in 2017. We expect to readopt the system, which analyses people's gaming behaviour and gives the alarm if it detects risky gaming, when the new Lotteries Act enters into force.

We contacted 200 customers playing a lot

Contacting pilot project planned in cooperation with operators working to prevent gaming-related harm

In autumn 2020 we carried out a pilot project of contacting customers playing a lot. During the pilot, we talked to 200 customers playing a lot about their gaming and informed them about the gaming control tools, ways of recognizing problematic gaming, and the different channels through which they could seek help in potential gambling problems

We got a positive response to the discussions. The pilot and the discussions were planned in cooperation with customer service personnel from Peluuri, professionals from the Peliklinikka service, and experts by experience from the Sosped foundation. Based on our experiences of the pilot project, we will make a decision on whether the operations should be made permanent in spring 2021.

Petra Fäldt

Customer Service Manager,
Customer and Sales Service

"We started a contacting pilot in the autumn. We wanted the talk to people who play a lot and to increase our understanding of how they feel about their gaming. With the calls, we also wanted to make sure that the customers are familiar with our gaming control tools and that they know where to get help in gaming issues, if necessary.

The persons who made the contact calls had been involved in the development of the model since the beginning. We arranged workshops with, for example, Peluuri's customer service staff and experts by experience from Sosped foundation as participants. Their knowledge was a huge help to us. We also got to learn about the experiences of various national gaming companies from other countries on how they had contacted risky players.

The pilot turned out extremely positive and we learned a great deal. Our customers took the calls really well; they felt that they were cared for."

Age limit control of gaming

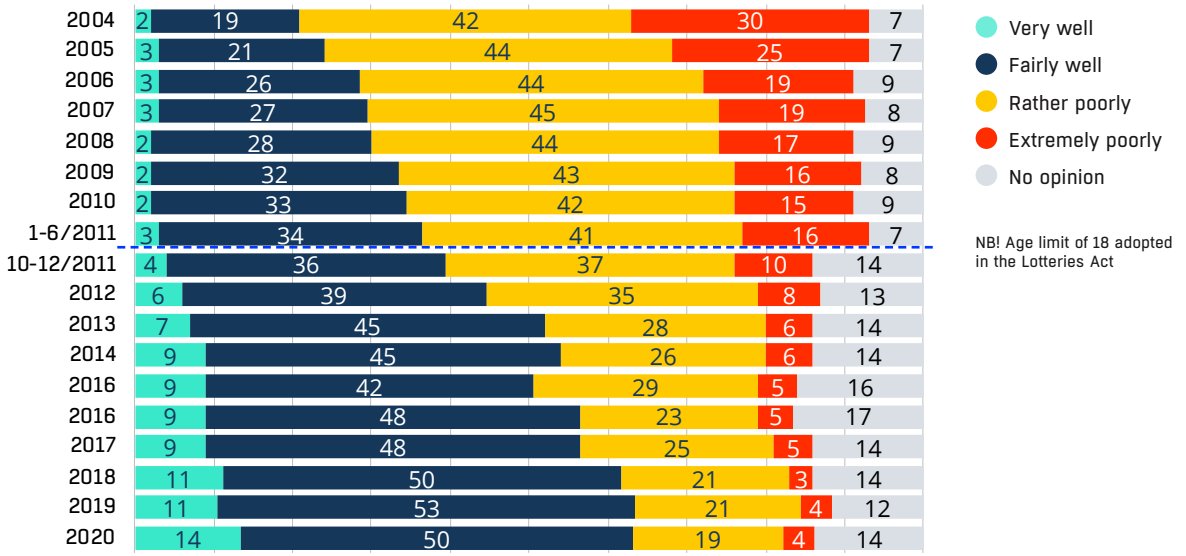
The age limit of gaming is 18. People under 18 are not allowed to play even when accompanied by an adult or given permission by them. In digital games, the players' age is verified reliably on registration with the Digital and Population Data Services Agency. At the Casino, the customers' age is verified as they enter. The age limit controls of Veikkaus gaming arcades (Pelaamo and Feel Vegas arcades) are carried out by the arcade staff. In retail sales, the supervisory responsibility has been assigned to the retailers by agreement.

We train our employees and the game salesclerks of the retail network for the age limit controls, and we take concrete actions to support the controls. For example, the game salesclerks have a device with which they can block gaming by a person looking under 18 from a remote monitoring point in order to verify their age.

In summer 2020 we raised the reference age limit of gaming to 30. We require that the age of everyone looking under 30 is verified both at the gaming arcades and the points of sales of the retail network.

Compulsory authentication became effective for slot machines in the retail network in January 2021, and it will be introduced to the gaming arcades in July 2021. After this change, the players' age is verified through a technological solution on the slot machines. This does not lift the responsibility from the retailers and the arcades to make sure that minors are not allowed to gamble.

PUBLIC OPINION ON OUR SUCCESS IN AGE LIMIT SUPERVISION IN SLOTS GAMING 2004–2020



Source: Omnibus population survey by Taloustutkimus. Survey question: "According to the Lotteries Act, people under 18 are no longer allowed to play slots, not even when they are accompanied or given permission by an adult family member. Is the law implemented in practice in your view...?"

We take care of the age limit control

- *The age limit controls of the decentralized slot machines are the responsibility of the retail partners.*
- *A slot machine monitoring plan is made for each point of sales in cooperation with the retail partner.*
- *When the slot machines are open and available for playing, there must always be a person having passed the monitoring training present at the monitoring point.*
- *The gaming areas should be marked with tape whenever possible.*
- *We follow the implementation of the age limit controls at the points of sales through active research and check-up visits.*

We follow the implementation of the age limit controls at the points of sales through active research and check-up visits. In test purchases carried out by Veikkaus, an adult, young-looking person tries to get to gamble. Their gambling was blocked on slot machines in 18 percent of the cases, whereas it was blocked in 12 percent of the cases in 2019.

We work in continuous cooperation with the Pakka network, coordinated by the Finnish Institute for Health and Welfare. The Pakka operating model is a method aiming to prevent local problems caused by alcohol, tobacco, and gaming. We have representatives in ten Pakka working groups in different parts of Finland.

Secure payment and money transactions

Reliability, security, and transparency of the processes are the cornerstones of Veikkaus' payment and money transactions. During the year under review, we focused especially on the processes of authenticated gaming, the automatization of the processes, and the continuity of money transactions during a state of emergency.

Authentication brings security to customers' money transactions

Veikkaus' own modern payment gateway ensures that all the transactions leave a trace. Authenticated gaming enables the customers to manage their money transfers and adds to the certainty of the claiming of prizes and the processing of error incidents. Error incidents can be solved automatically without the customer having to contact the customer service.

When a customer plays authenticated, their winnings are paid directly to their game account or bank account. A player having played unauthenticated has the chance to claim their prizes within one year, and with the Toto games, within three months of the game result. The unclaimed prizes are returned into the Undistributed Prizes Fund, to be won by our customers. The unclaimed prizes played unauthenticated amounted to ca. 10 million euros at the end of 2020.

Cooperation with the finance sector

Veikkaus engages in active dialogue with different operators in the financial sector, including commercial banks, Bank of Finland, European Central Bank, the Finnish Financial Supervisory Authority, and solution and service suppliers, in order to develop payment solutions. The rapid development in the financial sector brings new opportunities and demands that further improve the reliability of monetary transactions.

Veikkaus has the ISO 9001 quality certificate and the PCI DSS certificate, which covers the processing of payment card data. We train and guide our staff and retailers to process money, winnings, and game purchases.

In the future, we will continue to focus strongly on automation and AI in payment and money transactions.

Unclaimed prizes are returned to the customers through new prize distributions

A special process for error incidents

- *Customers can file a request for the processing of an incident with the customer service, on the basis of which the case is processed and the customer receives a decision.*
- *If the customer is not satisfied with the decision, they can ask the National Police Board to issue a recommended decision.*
- *The National Police Board asks Veikkaus to provide a report including all data related to the incident in question, together with Veikkaus' correspondence with the customer, on the basis of which the National Police Board issues a decision on the case.*

We respect our customers' privacy

Reliable and secure processing of player data

At the heart of Veikkaus' business operations are our over two million registered customers. Using player data is central to Veikkaus' operations and a basic prerequisite for responsible business development. Our games reach a major part of the Finnish adult population. Every year, ca. 3.6 million players play Veikkaus games, 1.8 million play authenticated at least once a year.

We use player data, e.g., to develop the customer experience, the implementation of the responsibility measures, and to ensure the safety of gaming. We also use player data to take care of our statutory duties. Our way of using players' data and funds is absolutely confidential.

We only use our customers' personal data for the purposes which we have announced and to which the customers have given their consent. Protecting our customers' data and respecting their privacy is a top priority to us. In our data protection description (in Finnish) we describe the way in which we process personal data.

We treat all our customers equally and make sure that the prizes are paid reliably and fairly. The customers' gaming data are not used in such a way that they would affect the game mathematics or odds of winning in any way.

We make use of AI according to our ethical principles. The most important guidelines of our ethical principles concerning AI are transparency, privacy, responsibility, and customer-orientation. Read more about the principles here (in Finnish).

Strong consumer protection

Veikkaus treats all customers equally. The conditions of gaming are always openly accessible to the customers when they are playing. Customers' bets are never subject to deliberation in sports betting, but they can always participate in the games with the bets they wish to stake. The prizes are paid out reliably to the customers that are entitled to them.

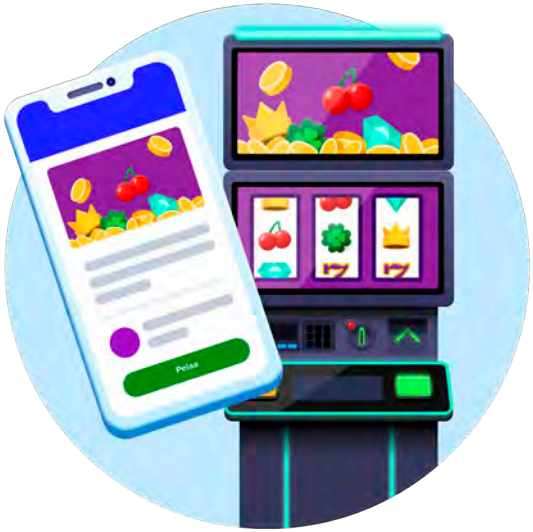
Strong consumer protection guarantees customers' legal protection in potential problematic situations where the customers feel that they have been treated unjustly. For such situations, Veikkaus has a specific process in place, which is determined in detail. The customers have the right to ask the National Police Board for a recommended decision, if they wish. Our customers used this right a total of 40 times in 2020 (28 times in 2019).

Veikkaus' customers can trust that the quality of the games is high and that they are reliably organized. We take care of our customers' data and funds.

We treat all our customers equally

- We process the customers' data and funds with absolute confidentiality. The personal data of anyone registering as a customer are verified with the population data system.
- The functioning of Veikkaus' games and money transactions is verified through regular tests and check-ups.
- Veikkaus treats all customers equally. The prizes are paid out without disturbances and reliably to the customers that are entitled to them.
- In the case of an error, the situation is analysed, and the possible error is fixed, if, for example, a customer loses the coins they have fed into a slot machine, or if they lose the winnings they have accumulated.
- Our data security is verified regularly.
- We only choose events and games by reliable and responsible organizers as betting objects.
- We engage in international cooperation to prevent crime and fraud associated with gaming.
- In order to prevent money laundering, we always check a person's identity if the sum of the games or a prize won by a player totals at least 2,000 euros or if anything suspicious is associated with the event.

All our new games go through ethical evaluation using a special responsibility evaluation model



Responsible and competitive game products and servises

Veikkaus games are always developed for specific customer groups, based on our knowledge of the players' motivation to play and gaming within responsible limits. We carry out a responsibility evaluation of new games and of the revision of existing games by using the Responsibility Evaluation (RaVa) model.

The responsibility profile of a game is attached to the proposal for the amendment of game rules, sent to the authorities. Besides the Responsibility Evaluation, we always have dialogue with the authorities responsible for the regulation of games.

The independent group for the evaluation of the harmful effects of gaming working under the auspices of the Ministry of Social Affairs and Health also issues statements on the risks of Veikkaus' games and channel solutions.

To promote responsible gaming, we focused strongly on a project that led to the introduction of compulsory authentication to the slot machines in stores, kiosks, restaurants, and service stations, and the consequent possibility to stop people from gaming on slot machines in the afore-mentioned locations. In 2020 we also started a project that extends compulsory authentication to the slot machines and table games at Veikkaus arcades.

In Lucky Games, we focused on developing the player experience, e.g., by starting a reform of the user interface of the games of chance.

In Betting Games, we almost finalized the reform of the user interface of the digital channel and started a project to replace the game platform of fixed odds betting games.

In Casino Games, we integrated two new suppliers of digital games to the distribution network of the digital channel; in addition, we released digital slots games and a new eBingo product. For poker, we developed new features enhancing player security.

RESPONSIBILITY IN VEIKKAUS GAME PRODUCTS AND CONDITIONS

- **In our games and services, we never reward players according to the volumes of money they spend.**
- **We do not encourage people to play by offering free games or euro-specific discounts (not part of the game) or bonuses.**
- **We offer information on the game features in a uniform and open way.**
- **Our game themes and realizations are responsible and ethically sound.**

VEIKKAUS

RESPONSIBLE BUSINESS OPERATIONS

RESPONSIBLE BUSINESS OPERATIONS

Responsibility is the cornerstone of sustainable business. Veikkaus wants to influence Finnish society in a positive way, acting in an ethically sustainable and transparent manner. We also want to have a strong position in the entire gaming industry and to be a trailblazer both in Finland and internationally.

Responsible marketing, communications, and reporting

Marketing at Veikkaus is guided by the Responsibility Principles of Marketing Communications, which were updated in spring 2020. Their purpose is to make sure that we market games and gaming in a sustainable and responsible way and bear our responsibility towards the players.

The Responsibility Principles of Marketing Communications foreground an even safer and more responsible gaming environment, as laid down in our strategy. We do marketing to strengthen our brand and to promote authenticated and responsible gaming. Through marketing and communications, we also aim to guide our players to play games of fewer risks. As regards games that involve special risks, we only offer product and game object information. Gaming is for adults only, and that is why we never target the marketing of games at minors.

Our marketing activities only aim at channelling people's gaming, i.e., they are motivated by the need to direct Finnish gaming towards a regulated and supervised gaming environment.

According to the Reputation&Trust survey (11/2020), carried out by T-Media research company, ca. 37% of Finns think that Veikkaus is a responsible company that acts in the right way. In 2019 the respective share was 35 percent. According to a survey by market research company Taloustutkimus (10/2020), 51% of Finns held a positive image of Veikkaus. In 2019 the respective share was 49% (Taloustutkimus 12/2019).

Training on marketing and supervision

To ensure responsible marketing communications, we have made our internal marketing guidelines more specific, and focused on making sure that all our content and marketing providers are unanimous about the guidelines. To improve our employees' knowhow in responsible marketing, we designed an online training course, obligatory to anyone working with marketing and communications. Our external partners, such as representatives of retail sales, and the advertising and media agencies must take the course before they can work with us.

To enable responsible content, efficient self-supervision is essential. Our marketing process has been designed to include regular check points where the content is evaluated from an ethical point of view. A working group on the evaluation of internal marketing supervises the responsibility of the concepts and their realizations. Our marketing activities are also supervised by supervisory authorities, including the National Police Board.

Responsibility communications to customers

We send out targeted customer messages and carry out campaigns to communicate actively responsible gaming issues. In 2020, the messages covered, e.g., the opportunity to view one's gaming history, the gaming control tools, and information on the Finnish Gambling Helpline Peluuri. We also offered a "Myths and Facts" test to the customers, to improve their knowledge about Veikkaus games. To people having started to play more during the coronavirus epidemic (a total of 29,000), we sent a special message on responsibility, encouraging them to think about their gaming by taking, e.g., the Game Test and viewing their gaming history. Some 289,000 customers have subscribed to the responsibility-themed service messages, which are sent out once a month.

In the spring, we launched a "mailbox" concept at Veikkaus, used for sending out responsibility-themed messages to our customers. We made the services of the Finnish Gambling Helpline Peluuri more prominent on the digital screens of the gaming arcades and the retail outlets. Veikkaus' responsible gaming site pelaamaltilla.fi ("play with moderation") offers all players information about the risks of gaming, the ways of controlling one's gaming, and the operators offering help in gambling problems.

MARKETING COMMUNICATION EXPENSES, € million	2020	2019	2018
Marketing of games	7.6	11.3	19.6
Other advertising and marketing (incl. brand marketing and game event information)	11	14.8	23.9
Game event cooperation (incl. sponsorship)	4.5	3.7	3.9
Total	**23.1**	**29.7**	**47.3**

The marketing communication expenses have decreased over the past few years. The expenses went down by 22.3 percent in 2020 as compared with 2019. These figures contain VAT, which we cannot deduct from our expenses. Most companies report the figures without VAT.

On our way to the joyful side – our new brand concept

In our marketing communications in 2020, we prioritized the promotion of authenticated gaming, reduction of the slot machines, lowering of the loss limits, and introduction of the reference age limit (30 years), as well as the special benefits

We continued the measures taken in 2020 by starting the year 2021 with a brand campaign titled "Ilollakin on rajansa" ("Even joy has its limits"), focusing on the tools for the self-control of gaming. The campaign aims at protecting the joy of gaming, bringing the responsibility tools into focus, and further improving general acceptance towards Veikkaus.

Marketing communications expenses

Veikkaus' marketing communication expenses show a clear decrease; during the period from the year 2017 to 2020, the expenses have gone down by nearly 56.7 percent. In 2020 we carried out marketing for a total of EUR 23.1 million. That was 22.2 percent less than in the previous year (in 2019 the total expenses were EUR 29.7 million). The company's total marketing communications expenses represented ca. 1.8% of the gross gaming revenue, i.e., their share remained the same as in 2019. The figures include value added tax, which we cannot deduct from our expenses. Most companies report the figures excluding VAT.

Veikkaus marketing communications are a multifaceted concept. They include, for example, product advertising and game event information, marketing of the corporate brand, the Loyal Customer Programme, the service concepts and sales channels, work for responsibility themes and awareness of the allocation of the proceeds, communications, sponsorship, and game event cooperation.

Sustainability reporting

We report on the decisions made and measures taken for the promotion of responsible gaming and our wider social responsibility annually in our Annual Report and Sustainability Report, as well as in the interim half-year reports. The expenses of marketing communications are reported once a year. The Supervisory Board issues a report on the development of gaming operations and the measures taken at Veikkaus to prevent gambling-related harm every year.

The responsible marketing training course obligatory to anyone working with marketing

Ethical decision-making

Ethical issues, as well as human and employee rights, are present in all Veikkaus' operations. A uniform way of operating affects the operating culture of our whole organization. By acting right, we will deserve the trust of our customers and other stakeholders.

Gambling is subject to strict regulation in Finland. This is why compliance with the legislation and regulatory provisions is reflected on all our operations. The core legislation concerning Veikkaus is the Lotteries Act and the rules of the games based on it. This means, for example, that the authorities approve the rules of every game provided by Veikkaus. The players can trust that playing, winning, and money transactions take place as they should.

Veikkaus' articles of association also show the public benefit nature of the company's operations. Veikkaus' revenue goes to the common good and we do not seek profit at any cost.

The balancing of profits and responsibility can be seen in many business solutions and in the way in which they are evaluated. This balance must be taken into account, for example, in marketing and sales promotion, and in the gamified elements. Veikkaus does not offer the players free gaming money, nor does it resort to aggressive measures to make customers play more.

Our way of working – Code of Conduct

The company's ethical principles define Veikkaus' way of operating (Code of Conduct). The principles outline the ways of operating that are acceptable from Veikkaus' point of view and comment on, e.g., the identification of conflicts of interest, bribery, and corruption, and the use of data and property.

The Ethical principles cover every Veikkaus' employee, and the related training is compulsory to all. The training covers the basic principles and guides Veikkaus' employees to ask the Compliance Unit for help, if necessary. It is the duty of everyone working at Veikkaus to foster the culture of operating in the right way.

Veikkaus has an anonymous reporting channel, which the employees can use to report any suspicions and observations they have on possible flaws. The reporting procedure concerning suspected abuse, which is also called the whistleblow procedure, will be obligatory throughout the EU in 2021. We will continue to develop the reporting procedure in 2021.

Code of Conduct

Human rights at Veikkaus

Veikkaus has committed to respecting all the internationally recognized human rights. In particular, we comply with the Universal Declaration of Human Rights of the UN and the employees' rights in accordance with the ILO fundamental Convention. We work for the realization of the human rights in our operations and expect our partners in cooperation to do that, too.

The Ethical Principles cover every Veikkaus' employee

OUR WAY OF WORKING – CODE OF CONDUCT

- *We comply with laws and regulations in our operations*
- *We do not accept bribery in any form and we keep our business entertainment reasonable*
- *We recognise and prevent conflicts of interest*
- *Veikkaus is not involved in and does not support politics*
- *We operate in a fair and open manner*
- *We make our procurements responsibly, in compliance with the Public Procurement Act*
- *We foster data protection*
- *We take care of each other*
- *We use Veikkaus' property and information in an appropriate manner*

Responsible procurement

Responsible procurement is a material part of our CSR Programme. Veikkaus complies with the Act on Public Procurement in all its procurement practices. Tenders are carried out in compliance with the legislation on public procurement, openly and equally. Veikkaus considers the goals and viewpoints of social, economic, and environmental responsibility whilst preparing the tenders, during the processes, and throughout the contract period, as appropriate. These are recorded in the Responsibility aspects in a tender document on a general level, part of Veikkaus procurement guidelines since 2018.

We pay attention to social responsibility especially in such procurement processes that may involve risks of negligence concerning social responsibility. As for economic responsibility, Veikkaus aims to fight grey economy by, e.g., asking the contractors to report on how they have complied with the Act on the Contractor's Obligations and Liability in the case of procurement falling within the scope of the legislation.

As part of our Environmental Responsibility Programme, we have set an objective to include environmental criteria in half of Veikkaus' public calls for tender (incl. Hansel's framework agreements) starting from 2021. We made environmental responsibility an increasingly important part of the procurement during the year under review by establishing a library of environmental criteria and an idea bank for paying attention to the environmental criteria in practice in the procurement processes. We have created a follow-up system for reporting, and we will be bringing up, during the preparations for a procurement decision, whether the procurement includes an evaluation of environmental issues.

Ethical Code of Conduct for suppliers of goods and services

Veikkaus has adopted an Ethical Code of Conduct for suppliers of goods and services, which the suppliers must commit to as part of the procurement agreement. According to the Ethical Code of Conduct, employees shall be guaranteed freedom of association, equal treatment, appropriate compensation and working hours, occupational safety and health, as well as the right to make complaints regarding the working conditions. In addition, the suppliers must commit to the ban on the use of child labour and to non-discrimination.

Veikkaus' purchases of products and services amounted to ca. EUR 200 million in 2020, and there were a total of 2,200 suppliers. We made 46 public calls for tender in 2020 (including Hansel's framework agreements), and in addition to these, a significant number of acquisitions made within the scope of framework agreements. A major part of the company's acquisitions are related to ICT.

After the merger of the gaming operators in 2017, Veikkaus has started to systematically revise its agreement base. The majority of our acquisitions have been subject to tenders. It is our goal to act in a proactive way and to improve supplier management, working to reach the objectives of the whole company.

Our suppliers are bound by an Ethical Code of Conduct

Fighting crime and fraud

Veikkaus engages actively in the detection of and fight against crime and fraud targeting the gambling industry both in Finland and internationally.

Veikkaus is a member of the Global Lottery Monitoring System (GLMS). The GLMS observes and analyses suspicious activities related to betting and enables information exchange between the national gaming companies operating sports betting.

Some of the core methods of fraud prevention include education and development of the company's processes. We aim to choose only events and games by reliable and responsible organizers as betting objects.

A major threat to the sports games is the manipulation of competitions or games. To detect and prevent the manipulation, it is important that we work in close cooperation with the Finnish Center for Integrity in Sports (FINCIS), the sports event associations, and the authorities.

The manipulation of a sporting event can often be detected better by looking at customers' gaming behaviour than during an event as such. Veikkaus monitors the game data and the development of gaming real-time. This way we can recognize situations where gaming has suspicious features.

In spring 2020 the coronavirus epidemic made the choice of betting objects more challenging, as a major part of competitive sports were put on hold for several months and there were only a few series and competitions available, involving greater risks of manipulation. We followed the options carefully, tried to cut out the most suspicious objects and to react quickly if we detected any irregularities in the series or competitions chosen as betting objects.

Game data and close cooperation are important in fraud prevention

Anti-money laundering work

Veikkaus takes seriously the work against money laundering and terrorist financing. The prevention of money laundering at Veikkaus is based on a risk-based approach and continuous development. Besides the routine measures, including the verification of a person's identity before prize payout, supervision is targeted especially at situations where the risk of money laundering is high.

In 2020 Veikkaus worked in close cooperation with the supervisory authority, i.e., the National Police Board and the Financial Intelligence Unit of the National Bureau of Investigation. We carried out a system development project related to anti-money laundering. We will continue to develop the system in 2021 using especially data analytics. Moreover, we made basic training on anti-money laundering part of the compulsory training concept which everyone working at Veikkaus must take annually. With these measures, we were able to lower the risks of money laundering significantly.

Our plans to adopt compulsory authentication will further improve anti-money laundering supervision and our ability to fight money laundering in the coming years.

Data protection

Protecting the customers', employees', and partners' data and respecting their privacy is of utmost importance to Veikkaus. Thus, data protection legislation has a special value to our operations. This is manifested, e.g., in that we have made data protection one of the core ethical principles in Veikkaus' Code of Conduct: Veikkaus' way of operating.

Veikkaus processes the customers' data with absolute confidentiality. To us, it is also important that the customers know how their data are processed at Veikkaus. We always use personal data only for the purposes that the customers have been informed about.

The secure processing of personal data, respecting privacy, is ensured by providing training and guidance, and by making sure that the specific and restricted user rights covering the processing of data are specified according to the employees' job descriptions. Each employee must take an online training course on data protection and pass the final exam.

Data protection covers all our functions and projects. For this purpose, we have created processes related to data protection, which include responsible operating models. The development of data protection is coordinated in an internal data protection group, which meets regularly.

Veikkaus also works responsibly for data protection with its partners. Veikkaus' partners processing personal data coming from Veikkaus shall sign an agreement where the right ways of operating and responsibility questions are determined.

Taking care of data protection will be in even more focus in the coming years, as gaming is gradually shifting towards full player authentication.

WORLD LOTTERY ASSOCIATION WLA | CERTIFIED SECURITY CONTROL STANDARD

Certified data security

Veikkaus aims to be a leading company in data security in its industry. We comply with the best practices of data security in order to protect and guarantee the confidentiality, integrity, and availability of the data and materials concerning our customers, partners, and other stakeholders.

Besides our own specialists, we use external resources in order to guarantee the best possible level of data security. Our goal is to maintain a comprehensive, up-to-date picture and set of indicators of how data security is realized in the entire organization.

We have a documented management system of quality and security, based on the security standards World Lottery Association WLA-SCS and ISO/IEC 27001, the quality standard ISO 9001, and, for payment card data, the PCI DSS security standard, as well as the effective laws and regulations.

The management is kept certified with the afore-mentioned standard. The exact content of the quality and security management system, together with its goals and security mechanisms, is based on risk analysis. The scope of application of the management system is the entire Veikkaus Oy (all games and functions). As regards PCI DSS, its scope is limited to the systems and functions, where payment card data are processed.

We process our customers' data with absolute confidentiality

Environmental responsibility and fighting climate change

Veikkaus' biggest environmental impacts are caused by slot machines and game terminals, premises, transportation, and travel. Our Environmental Programme aims to reduce the CO2 emissions of transportation and travel, to make acquisitions with significant environmental impacts subject to environmental criteria, to reduce energy consumption in the premises, and to decrease the environmental impacts of slot machines and game terminals through lifespan management and choice of materials.

We postponed the development of the operating programme to reduce the CO2 emissions of commuting to work to a later date. The emissions from vehicles and freight went down by 18 percent from the year 2019. The decrease was primarily caused by the slot machine closures, which led to a reduction in maintenance and servicing calls.

During the year under review, we improved our capacity to add and follow the environmental criteria of our acquisitions by, e.g., making the monitoring of the environmental impacts of the acquisitions part of the procurement system and management reporting.

We improved the personnel's awareness about environmental issues through online training during the year under review. We offered training to the whole personnel on the Environmental Programme as part of a wider online course on responsibility issues, which everyone working at Veikkaus must take annually. The personnel were also offered an online lecture, with more profound information on the issue.

During 2021, we will be launching a project on environmental responsibility, e.g., to analyse and evaluate the environmental impacts of our actions. The project may affect our existing environmental objectives.

ENVIRONMENTAL RESPONSIBILITY INDICATORS	2020	2019	2018	2017
Recycling of slot machines, %	97	97	97	97
CO_2 emissions of vehicles and cargo (CO_2)	675,178	796,246	-	-
Slot machines and game terminals covered by lifespan management (%)	100	100	85	-
Energy consumption of premises (electricity MWh)	6,479	7,000	-	
Energy consumption of premises (district heat MWh)	6,144	6,547	-	-

Veikkaus' slot machines have a high level of recycling

The recycling degree of slot machines remained at the same level as in the year before, at 97%, if the energy recovery of the material, as well as wood and plastic, are considered.

The fact that many slot machines are designed at Veikkaus has enabled us to pay attention to the recyclability of the materials, the servicing of the parts, and their serviceability and reuse, as well as the energy efficiency of the slot machines. We aim to guarantee cost-efficient and high-quality operations through the lifespan model. The slot machines are compiled in the Scanfil factory in Sievi, Northern Ostrobothnia.

The recycling degree of the slot machines is 97%

Climate friendly Veikkaus 2019-2025

- Veikkaus complies with the Act on Public Procurement in all its procurement practices. All our acquisitions are transparent and aim at making environmental criteria part of acquisitions that have significant environmental impacts.
- Our goal is to reduce the CO2 emissions of transportation and travel through operating programmes. We encourage commuter cycling.
- We aim to reduce the total energy consumption of our premises.
- The recycling degree of slot machines is high, with the aim of reducing the environmental load caused by slot machines and game terminals, for example, through efficient lifespan management.
- The personnel are involved in environmental action – we have an annual theme day, and we participate in the Earth Hour climate event.
- Veikkaus' employees can choose to do remote work, and we have central printers in all our offices. Our objective is to enhance the energy efficiency of the ICT services.

Cost-effective operations

One of the strategic goals shared by all of Veikkaus' functions and strategy programmes is cost-effectiveness. To increase cost-effectiveness, we work persistently, e.g., to develop our processes.

We follow the realization of the objective of cost-effectiveness especially as the proportion of the costs in relation to the gaming revenue, i.e., the gross gaming revenue. During the year under review, Veikkaus' expenses went down as a result of the continuous development of the operations, a reduction of the integration costs, and the removal of overlapping expenses. Despite the reduction of the expenses, the cost-effectiveness went down, as the coronavirus pandemic cut over 300 million euros of our gross gaming revenue. The costs to GGR ratio was 32.9% (27.7% in 2019).

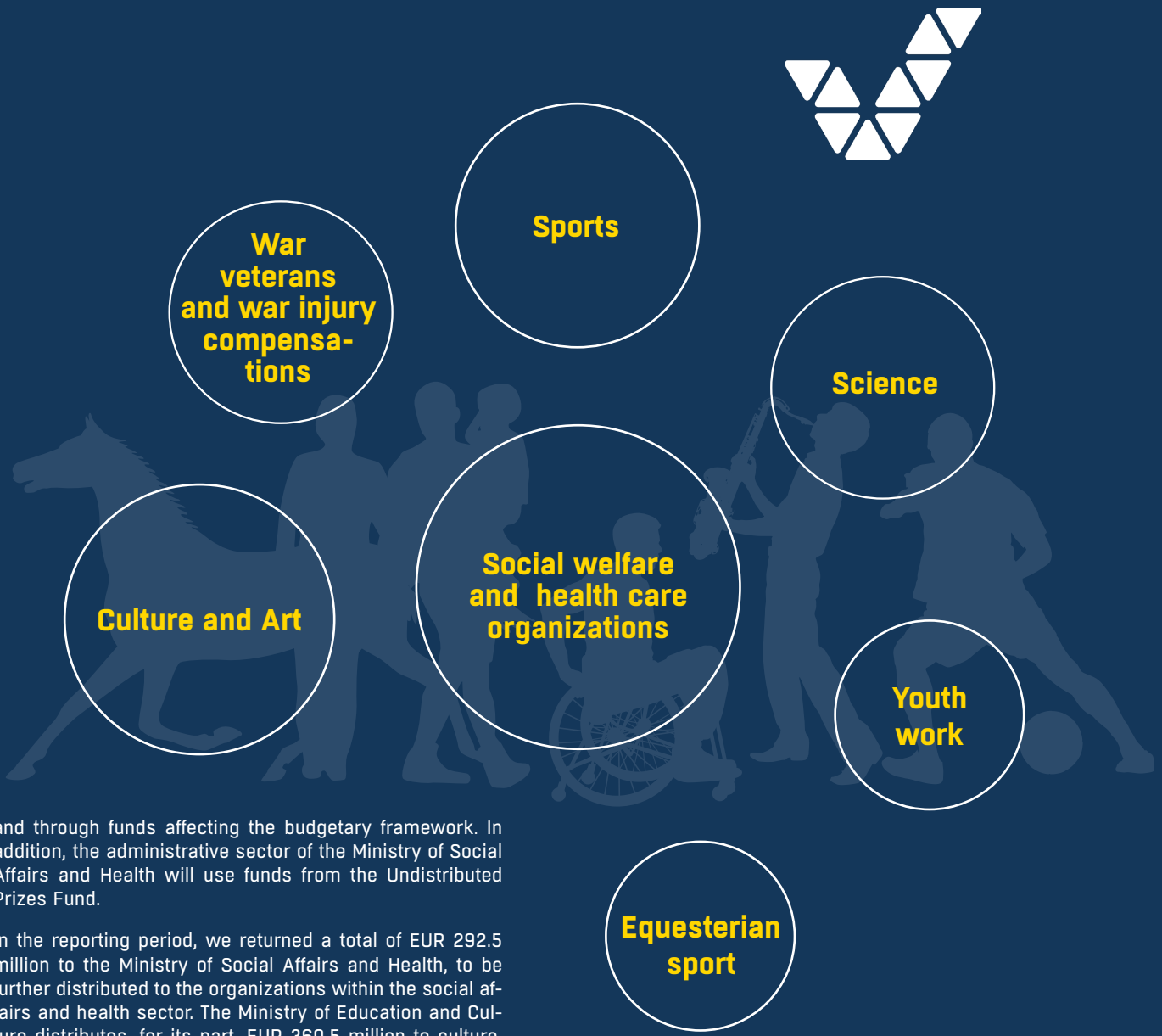
Revenue to society

Veikkaus has the unique mission to provide responsible gambling games on the basis of an exclusive right. We are involved in Finnish life also through the gaming revenue in many ways. The entire gaming revenue is used for the common good in accordance with the decisions by the ministries responsible for the distribution of the funds. Over 4,000 beneficiaries receive support from our gaming revenue every year.

In 2020, we reached a gross gaming revenue of EUR 1,260.3 million, of which EUR 680.2 million (-32.6%) were returned to the ministries. The drastic drop in the gross gaming revenue, and thereby also in the proceeds, was caused especially by the coronavirus epidemic and the subsequent measures.

Veikkaus' result remained below the amount to be distributed to the beneficiaries, recorded in the State Budget 2020 for the ministries, i.e., EUR 1,082 million. The State committed to compensate for the consequences caused by the drop in the revenue to the organizations and communities. The compensations to the beneficiaries will be continued in 2021. They will be financed by lowering the lottery tax and through funds affecting the budgetary framework. In addition, the administrative sector of the Ministry of Social Affairs and Health will use funds from the Undistributed Prizes Fund.

In the reporting period, we returned a total of EUR 292.5 million to the Ministry of Social Affairs and Health, to be further distributed to the organizations within the social affairs and health sector. The Ministry of Education and Culture distributes, for its part, EUR 360.5 million to culture, sport, science, and youth work. A total of EUR 27.2 million of our revenue are channelled to equestrian sports via the Ministry of Agriculture and Forestry.



VEIKKAUS

RESPONSIBLE FOR VEIKKAUS' EMPLOYEES

RESPONSIBLE FOR VEIKKAUS' EMPLOYEES

In spite of a variety of exceptional situations, the year under review was a period of strong development of the personnel experience and wellbeing at work. We launched a strategic programme centring on the development of culture, skills, and organizational structures, which we decided to call the "Best place to work in the gaming industry". The reform aims at an agile and efficient company.

We will be revising our management according to the strategy to help us reach our objectives. We will be improving our knowhow together and increasing internal mobility and cooperation. Together we will be making our ways of operating smoother still, and we will be paying special attention to cost-effectiveness. Inclusion plays an important role in all this: we will include everyone at Veikkaus in our work to realize our common goals. We will also invest in the building of a positive employer image.

During the year under review, we had to make major, quick decisions to protect the health of our personnel, customers, and retailers. In May and June, ca. 660 people working at Veikkaus gaming arcades were laid off. As the situation with the epidemic worsened again and arcades and slot machines had to be closed, another round of cooperation negotiations was necessary in December, covering the layoffs of ca. 800 employees in the Points of Sales function. As a result of the negotiations, the layoffs of ca. 500 employees were initiated in the first phase at the beginning of January 2021.

A year of developing the personnel experience and wellbeing at work

Meaningful work

We want to build Veikkaus into a workplace where every employee feels that their work is meaningful. We will make our work clearer and smoother, e.g., through new roles, clear goals and decision-making.

The Best place to work in the gaming industry programme was designed by listening closely to the feedback by the personnel. The programme has six sections, all of which we keep working on simultaneously.

- GROWTH OPPORTUNITIES
- COACHING MANAGEMENT
- PRODUCTIVE WORKING ENVIRONMENT
- HEALTH AND WELLBEING
- MEANINGFUL WORK
- MUTUAL TRUST AND WELL-FLOWING WORK

Mutual trust and well-flowing work

During February and March, we continued the Veikkaus Open tour, which had begun in 2019. The tour was all about open dialogue between the personnel and the management on themes we all share an interest in: the customer experience, strategy and brand, general atmosphere, values, and new business. In December, we continued the dialogue as Open virtual dialogue due to the pandemic, with Future Veikkaus as the theme, especially from the perspectives of responsibility, customer experience, personnel experience, and new business. The ideas that emerged during the dialogue were used widely in the development.

One of the forums of inclusion, interaction, and joint development is the new Viestiheimo (Communicators' Tribe) concept, which had already up to 240 members from all of our functions during the year under review. The Communicators' Tribe shares and produces information to the internal communications; and develops, implements, and pilots new themes.

In the spring we took measures to lower the organization and make it more agile in, e.g., the ICT, Points of Sales, and the New Business functions. At the end of November, we also started to plan, in cooperation with personnel representatives, changes to the Business Operations, Legal Affairs and CSR, and Finance, Planning, and Services functions. The negotiations were finalized in January 2021. The changes did not lead to personnel cuts.

The Open Tour: active discussion on shared topics

Maija Turtio

HR Business Partner,
HR Business Partnering

"Due to the coronavirus pandemic in spring 2020, we had the chance to train our personnel on a wider scale. Among our core priorities were the responsibility training concepts. Our purpose was to make sure that those who work with the customer interface would have access to training with a special focus on responsible gaming to supplement their basic training.

The training concept also included content that was based on the personnel's wishes. One of the contents to receive the most acclaim was the lecture Peliongelma ja sen kohtaaminen ("Gambling problem and how to face it") by occupational health psychologist Kimmo Haapanen. The feedback was positive, there had been a clear need for such a lecture. It offered tools for facing a customer with a gambling problem and gave additional information on gambling addiction. The in-depth information on, for example, the operations of Finnish Gambling Helpline Peluuri also received praise.

We followed the employees' studies online with the help of learning journals. In addition, the teams gathered for discussions in online meetings. The feedback we received on the training courses was positive. The employees appreciated the fact that the employer wanted to invest in training on such a wide scale.

Veikkaus has already made available a comprehensive online learning environment for years. We have long-term expertise in the production of training programmes and online courses. Yet, the training concept was a major effort that was made under exceptional conditions. This made us realize again how skilful, brilliant people we have at Veikkaus – a concept of this volume was achieved in such a short period, with the help of several functions.

In autumn 2020 we launched another concept of six courses for the personnel, titled Pelialan parhaat ("Best of in the gaming industry"). It aims to make every member of Veikkaus' staff familiar with the company's responsible gaming operations and enable them to apply what they have learnt to their work."

Growth opportunities and skills development

One of the core themes of the Best place to work in the gaming industry strategy programme is that we want to offer our personnel growth opportunities. The goal is to increase internal mobility and to build different paths of growth. Veikkaus invests in personnel development and a culture that supports learning. During the year under review, we continued to build the personnel skills development programme based on specifically determined strategic skills.

Our training offerings were the most extensive in the company's history in 2020: Veikkaus' employees took a record number of 50,000 eLearning training courses, centring on the strategically important themes and skills. The investments in training and education were the biggest in the spring, as the training concepts planned for the staff at the gaming arcades in 2020 were made into a concise virtual training package, in order to minimise the layoffs caused by the coronavirus pandemic.

During the second half of the year, we launched a training concept for the personnel, titled "Pelialan parhaat" ("Best of in the gaming industry). Through this concept of six courses, compulsory to all, we aim to make sure that everyone at Veikkaus is aware of the responsibility objectives and the special requirements of the gaming industry, including issues associated with anti-money laundering, data protection and data security, and responsible gaming.

Flexible internal mobility as an enabler of growth is an increasingly central way of personnel development to us. We wish to offer Veikkaus' employees meaningful career paths. For this reason, we outlined a structure of internal mobility with four types of ways of moving flexibly between jobs at Veikkaus and adopting a new kind of touch, new kinds of skills, and information content.

Coaching management

Coaching management is one of our core choices, and it will pave the way for us to become the best place to work in the gaming industry. During the year under review, we focused on laying the foundations for coaching management, which required the training of all of the supervisors and dozens of team leaders. Further, we published a guidebook titled "Valmentavuus Veikkauksessa" ("Coaching culture at Veikkaus"), which summarizes thoughts and tools relevant to the everyday work of Veikkaus' employees and tools for strengthening the coaching working culture.

In the spring, we carried out our first 360 feedback survey based on our management principles. The objective was to provide appreciative feedback in order to give the growth a direction.

In addition, the purpose was to make the management principles concrete and to get a comprehensive idea of what is already working in the management at Veikkaus and what could be developed further or assigned new ways of operating.

Moreover, we piloted a 270 feedback survey with a group of 50 feedback receivers. The participants were chosen especially among people in leading positions in demanding projects of multiple operators. We are planning to expand the 270 survey during 2021.

In the autumn, we also piloted a new initiation programme for supervisors, and during the first half of the year, all of Veikkaus' supervisors took part in the coaching sessions belonging to the programme. The programme aims at strengthening the supervisors' role through uniform practices of HR management, high-quality employee experience, and operations that follow the strategy and values.

Valuable feedback through

360

270

surveys

Wellbeing at work and occupational safety and health

We carry out a personnel survey annually, with 41 PeoplePower® questions concerning the employees' commitment, management, and performance. The response rate to the personnel of autumn 2020 survey was the highest in the company's history, 89.5% (82.0% in 2019). The figure tells that Veikkaus' employees wish to be involved in the development of the company's operations. The survey results also showed a clear increase as compared with the previous year. Veikkaus' PeoplePower® rating was A (B in 2019); the ratings to improve the most were those given by the gaming arcade staff.

According to the results of the Personnel survey, the operations of the units and the supervisor work are among our strengths. In contrast, people's feelings about the company's future; building trust, and refining our internal employer image would still need more attention. What we received special praise for were the measures taken during the exceptional conditions and the smoothly functioning remote work, as well as responsibility and the personnel experience as strategic choices. As regards the wishes for development, they were mostly related to the creation of smooth and meaningful everyday working life. In fact, well-flowing work is one of the priorities of the Best place to work in the gaming industry strategy programme.

In addition to the personnel survey, we monitor the development of the personnel experience and the strategically important topics with a personnel Pulse survey, carried our twice a year. The survey result of May was the highest of the surveys made during the period between 2018 and 2020, and the result remained at the same level in the survey carried out in December.

During 2020, we revised the services of the occupational health care services and introduced an updated model of wellbeing at work under the title "Välitä!" ("Do Care!"). The model reinforces early intervention and proactive follow-up of the indicators of wellbeing in the entire organization. As part of the comprehensive reform of the management of wellbeing at work, we also took out an insurance covering the wellbeing of the entire personnel. We also decided to make the coronavirus tests part of the occupational health care service concept.

Remote work was the primary form of working for about half of the personnel starting from March. A special project titled "Uuden ajan työskentelykäytänteet" ("the Working practices of a new era") managed to gather under one umbrella the development of the working environment, together with the best practices and outlines of work that is independent of location. At the end of the year, we started a campaign focusing on mental and physical wellbeing at work. As an employer, Veikkaus wants to foster its employees' wellbeing and coping as the exceptional conditions continue for a prolonged period.

Tools for coping through stress and resilience coaching

Observation rounds and training in occupational safety and health

Employers are subject to an obligation to take care of their employees' safety and health at work. The supervisors represent the employer. The occupational safety and health operations at Veikkaus are laid down in the operating programme for occupational safety and health, the operations plan of occupational safety and health, the operations plan of occupational health care, and the cooperation agreement of occupational safety and health.

In 2021 we will carry out a pre-evaluation of the management system of the occupational health care and the occupational safety and health according to the ISO 45001 standard. After the evaluation, we will decide whether we will aim at a certified management system.

We identify working risks and incidents by making observation rounds pertaining to occupational safety and health. The observations are recorded in a risk data base. Emergencies are reported with an occupational safety and health incident report. Any injuries occurring at work must always be analysed and, if necessary, they must be investigated in order that the cause for them can be identified and the necessary safety measures can be taken to prevent similar accidents from happening again.

In 2020 Veikkaus' employees had a total of 37 injuries subject to compensation according to the Workers' Compensation Act. This figure contains injuries having occurred at work and during work-related travel.

Veikkaus' online learning platform Treenaamo offers content for not only internal users and retailers but also for external consultants working on the company's premises. The Treenamo platform provides one way of describing and learning to know Veikkaus' working culture and ways of operating.

In the middle of the state of emergency caused by the coronavirus pandemic, we created an extended training programme for Veikkaus' personnel. The objective was to turn the exceptional situation into an opportunity to improve the personnel's skills. The training programme focused on, e.g., responsibility, teamwork, and self-management in the middle of a change.

We also offered coaching on stress management and resilience to employees working with the customer interface. The coaching aimed at providing the employees with means of reducing the stress caused by difficult customer situation. For the supervisors, we launched training on the basics of supervisory work, with occupational safety and health as one of the training sectors.

Compensation

Veikkaus' compensation model is modern and encouraging, and it focuses on reaching jointly approved objectives. Veikkaus uses a performance-based remuneration system, defined by the Board of Directors annually and covering the entire personnel. The performance-based bonus is an annual one-off compensation paid on the basis of the company's success and reaching of the strategic goals.

The criteria for the performance-based bonus common to all in 2020 were the efficiency of the company's operations (costs to GGR ratio in %), the number of customers having played authenticated during the year, and customer satisfaction. The cost-effectiveness indicator was also used as a responsibility indicator for the management, aiming to ensure that the company did not make profit based on problem gambling. The annual average was at an acceptable level, i.e., the threshold value was not exceeded.

Veikkaus paid slightly over EUR 2.0 million of performance-based bonuses to its employees in 2020. The compensations to the members of the Board of Directors and the Supervisory Board are reported in a separate Corporate Governance report.

We will continue to develop the compensations concept. All the reforms will not be finalized at once, but they are developed systematically when enabled by the basic processes, skills, and systems.

A 10-hour responsibility training concept

A culture that fosters responsibility and caring

Responsible HR policy at Veikkaus means that all the processes in the lifespan of an employment relationship are carried out responsibly. Responsibility is involved in the objectives and the compensation system, as we want to engage the entire personnel in our work for responsibility. Veikkaus has a special mission to prevent problem gambling, and that should also show in the goals of the employees and the teams.

We prepared a new CSR Programme 2020–2025 for Veikkaus during the year under review. The programme was built in cooperation with internal and external stakeholders based on the new strategy. During internal workshops, the thoughts of Veikkaus' employees on responsibility were listened to closely.

As part of the extensive training course offerings of 2020, we built a comprehensive responsibility training concept of about ten hours, covering gambling problems and our responsibility practices, offered to everyone working at Veikkaus. The training concept was obligatory to ca. 700 people. We also revised the online course on responsibility compulsory to all Veikkaus' employees. The entire personnel had to take the course and pass it by the end of the year.

Nearly all Veikkaus' supervisors took part in a coaching session titled "Välitä! Varhainen välittäminen arjen johtamisessa" ("Do Care! Early intervention in everyday management"). The personnel are encouraged to bring up and discuss themes associated with wellbeing and coping at work. This has become even more important during the pandemic and the increasing share of remote work.

NUMBER OF EMPLOYEES AND PERSONNEL STRUCTURE	2020	2019	2018	2017
Personnel 31 Dec, number	1,592	1,606	2,074	2,039
Permanent, %	97%	97%	98%	98%
Fixed-term, %	3%	3%	2%	2%
Full-time, %	72%	7 %	53%	58%
Part-time, %	28%	28%	47%	42%
Average turnover, %	10.5%	21%	20%	21%
Incoming turnover, %	9.6%	8%	22%	20%
Departing turnover, %	11.4%	34%	18%	22%
18–30 years old, %	29%	30%	43%	42%
31–50 years old, %	49%	48%	41%	42%
over 50 years, %	22%	21%	16%	16%
Average age of personnel, years	39	39	36	36

SHARE OF WOMEN AND MEN IN DIFFERENT JOBS, %	2020	2019	2018	2017
	Men / Women	Men / Women	Men / Women	Men / Women
Veikkaus total	60% / 40%	60% / 40%	56% / 44%	55% / 45%
Board of Directors	63% / 38%	43% / 57%	50% / 50%	50% / 50%
Executive Team	56% / 44%	67% / 33%	75% / 25%	60% / 40%
Other management, excl. Executive Team	57% / 43%	60% / 40%	59% / 41%	65% / 35%
Supervisors *	59% / 41%	59% / 41%	59% / 41%	59% / 41%
Other officials and employees	60% / 40%	60% / 40%	56% / 44%	55% / 45%

* *Includes members of Veikkaus' Executive Team, directors, and other supervisors*

EMPLOYEES' WELLBEING AND SAFETY	2020	2019	2018	2017
Sickness absence percentage of the theoretical work	3.2%	3.8%	3.8%	3.1%

Aiming at a working community without gambling problems

Prevention of employees' gambling problems

Due to the nature of Veikkaus' business operations, we have special ways of operating aimed at the prevention of gambling problems among the employees. We have a special Peli ilo on meidän juttu ("The Joy of gaming belongs to us") programme in place, drafted in cooperation with the occupational health care services and Peluuri, the Finnish Gambling Helpline.

One of the key objectives of the programme is the detection and prevention of gambling problems among the employees and offering help in potential gambling problems. We have designed an online course on the basis of the programme, which all the employees must take annually. Our aim is to achieve a workplace community without gambling problems.

Equality and non-discrimination

We want to make sure that Veikkaus is a good and safe place to work. That is why we do not accept bullying, harassment, or discrimination. Instead, we appreciate diversity and work for equal treatment and equal opportunities in recruitment, compensation, and personnel development. Fair and equal treatment, diversity, and respect for the individual are a material part of the realization of human rights in our company.

Our new plan for equality and non-discrimination for the years 2020–2021 was prepared in cooperation with personnel representatives. Whilst drafting the plan, we used, e.g., the results of the personnel survey and the equality survey.

The goals of the equality and non-discrimination plan aims are:

- Non-discriminatory and tolerant working atmosphere,
- HR policy complying with equal opportunities throughout the lifespan of an employment relationship, and
- Paying attention to the building of a uniform Veikkaus that fosters diversity throughout the operations.

In autumn 2019 we carried out a survey on equality for the first time, with over 700 Veikkaus' employees as respondents. In the autumn of the year under review, we organized a workshop under the theme Equal and Diverse Veikkaus, where the HR function continued to work on the theme with representatives of the personnel and the supervisors on the basis of the survey results.

VEIKKAUS

GRI

Links between the material CSR topics and the GRI standard, and the GRI contents

Links between Veikkaus' material CSR topics and the GRI standard

Veikkaus complies with the core option of the GRI standards, as well as with the Council of State resolution to state-controlled companies of 8 April 2020.

The corporate responsibility expert company Mitopro has verified that Veikkaus' CSR reporting 2020 corresponds to the GRI standards.

VEIKKAUS' THEMES AND MATERIAL TOPICS	GRI STANDARD
RESPONSIBLE TOWARDS THE PLAYERS	
Promoting authenticated gaming	GRI 416: Customer Health and Safety
State-of-the-art gaming control tools and supporting players in the self-management of gaming	GRI 416: Customer Health and Safety
Promoting safe gaming through data, surveys and research	GRI 416: Customer Health and Safety
Age limit control of gaming	GRI 416: Customer Health and Safety
Secure money and payment tranactions	GRI 205: Anti-corruption
Reliable and secure processing of player data	GRI 418: Customer Privacy
Strong consumer protection	GRI 416: Customer Health and Safety GRI 418: Customer Privacy
Responsible and competitive game products and services	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling
RESPONSIBLE BUSINESS OPERATIONS	
Responsible marketing, communications, and reporting	GRI 417: Marketing and Labeling
Ethical decision-making	GRI 205: Anti-corruption GRI 415: Public Policy GRI 419: Socioeconomic compliance
Responsible procurement	GRI 103: Management approach (procurement) GRI 305: Emissions GRI 308: Supplier Environmental Assessment
Fighting crime and fraud	GRI 205: Anti-corruption
Data protection	GRI 418: Customer Privacy
Certified data security	GRI 418: Customer Privace
Working for responsibility in the gaming industry	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling
Cost-effective operations	GRI 201: Economic performance GRI 203: Indirect Economic Impacts
Revenue to society	GRI 201: Economic performance GRI 203: Indirect Economic Impacts GRI 207: Tax
Enivironmental responsibility and fighting climate change	GRI 103: Management approach (procurement) GRI 305: Emissions GRI 308: Supplier Environmental Assessment
RESPONSIBLE FOR VEIKKAUS' EMPLOYEES	
Meaningful work	GRI 401: Employment
Mutual trust and well-flowing work	GRI 401: Employment GRI 402: Labor/Management relations GRI 403: Occupational health and safety GRI 404: Training and education GRI 405: Diversity and equal opportunity GRI 406: Non-discrimination
Growth opportunities and skills development	GRI 404: Training and education GRI 405: Diversity and equal opportunity
Coaching management	GRI 404: Training and education GRI 405: Diversity and equal opportunity
Wellbeing at work	GRI 403: Occupational health and safety
Compensation	GRI 405: Diversity and equal opportunity
A culture that fosters responsibility and caring	GRI 405: Diversity and equal opportunity
Prevention of employees' gambling problems	GRI 403: Occupational health and safety
Equality and non-discrimination	GRI 405: Diversity and equal opportunity GRI 406: Non-discrimination

GRI content

GRIstandard		Reporting content	Location in report	Further information
General disclosures				
GRI 102: General disclosures 2016	**Organisation's background**			
	102-1	Name of reporting organisation		Veikkaus Oy
	102-2	Activities, brands, products, and services	Veikkaus in brief, p. 6 Ethical decision-making, p. 36 Board of Directors' Report, p. 59-66 Corporate Governance review, p. 3	
	102-3	Location of headquarters		Helsinki, Finland
	102-4	Location of operations	Veikkaus in brief, s. 6 Corporate Governance review, p. 3	
	102-5	Ownership and legal form	Corporate Governance review, p. 3	
	102-6	Markets served	Veikkaus in brief, p. 6 Board of Directors' Report, p. 59 Corporate Governance review, p. 3	
	102-7	Scale of the organization	Veikkaus in brief, p. 6 Indicators of social responsibility, p. 14 Board of Directors' Report, p. 59-66	
	102-8	Information on employees and other workers	Responsible for Veikkaus' employees, p. 49 Board of Directors' Report, p. 65-66	
	102-9	Supply chain	Responsible procurement, p. 37	
	102-10	Significant changes to the organization and its supply chain	Board of Directors' Report, p. 59-66	
	102-11	Precautionary Principle or approach	Corporate Governance review, p. 11	Veikkaus complies with the Precautionary principle in its operations. The company's operating model is based on the precautionary avoidance or reduction of risks and harmful impacts associated with the environment in all the operations.
	102-12	External initiatives	Promoting responsibility in the gaming industry, p. 16 Cooperation with stakeholders, p. 17-19	
	102-13	Membership of associations	Promoting responsibility in the gaming industry, p. 16 Cooperation with stakeholders, p. 17-19	Memberships: HENRY – Finnish Association for Human Resource Management; the Finnish Advertisers; MARK, the Finnish Marketing Association; PALTA, Service Sector Employers; Data and Marketing Association of Finland; Finnish Software and E-business Association; GLMS Global Lottery Monitoring, System (GLMS); European Association for the Study of Gambling (EASG); The European Lotteries Association (EL); World Lottery Association (WLA); European Casino Association (ECA), European Pari Mutuel Association (EPMA).
	Strategy			
	102-14	Statement from senior decision-maker	A word from the CEO p. 4	
	102-15	Key impacts, risks, and opportunities	Operating environment, p. 5 Strategy, p. 7-10 Veikkaus 2020, p. 11 The CSR Programme, p. 12-13	
	Ethics and integrity			
	102-16	Values, principles, standards, and norms of behavior	Mission, vision, and values, p. 7 Ethical decision-making, p. 36 Corporate Governance review, p. 8	Ethical principles cover every Veikkaus' employee, and the related training is compulsory to all.
	102-17	Mechanisms for advice and concerns about ethics	Indicators of social responsibility, p. 14 Ethical decision-making, p. 36	Veikkaus has an anonymous reporting channel, which the employees can use to report any suspicions and observations they have on possible flaws.

GRI standard	Reporting content	Location in report	Further information
Governance			
102-18	Governance structure	CSR management, p. 15 Corporate Governance review, p. 5-9	The company's Board of Directors and Supervisory Board discuss CSR topics regularly in their meetings. During the year under review, the duties of the Board of Directors' Audit Committee were extended to cover, in addition to the duties that previously belonged to the it, the processing and follow-up of topics associated with the company's special mission and corporate responsibility. The name of the committee was changed to Audit and CSR Committee.
102-19	Delegating authority	CSR management, p. 15 Corporate Governance review, p. 6-10	
102-20	Executive-level responsibility for economic, environmental, and social topics	CSR management, p. 15 Corporate Governance review, p. 6-9	
102-21	Consulting stakeholders on economic, social, and environmental topics	Cooperation with stakeholders, p. 17-19 Corporate Governance review, p. 8	In 2020, a new Ethical Advisory Board, appointed by Veikkaus' Board of Directors, started its operations. The Ethical Advisory Board acts as an external advisory body of specialists to the company's Board of Directors and the operative management. The purpose of the Advisory Board is to offer an external view on gaming to the company's Board of Directors and the operative management. The Ethical Advisory Board focuses especially on questions associated with the ethics of marketing, gaming-related harm, and issues associated with the social impacts of gaming. The Supervisory Board issues annually a report on the development of Veikkaus' gaming operations and the prevention of gaming-related harm to the Prime Minister's Office in the General meeting. The report will be published on Veikkaus' website.
102-22	Composition of the highest governance body and its committees, and their knowledge in corporate responsibility topics	CSR management, p. 15 Corporate Governance review, p. 6-7	
102-23	Chair of the highest governance body	Corporate Governance review, p. 6	
102-24	Nominating and selecting the highest governance body	Corporate Governance review, p. 6	
102-25	Processes to ensure conflicts of interest are avoided and managed	Corporate Governance review, p. 6-10	
102-26	Role of Board of Directors in setting purpose, values, and strategy	Corporate Governance review, p. 6-10	
102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	CSR management, p. 15 Corporate Governance review, p. 6-10	The company's Board of Directors and Supervisory Board discuss CSR topics regularly in their meetings.
102-28	Evaluating the highest governance body's performance.	CSR management, p. 15 Corporate Governance review, p. 6-10	
102-29	Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities including its role in the implementation of due diligence processes.	CSR management, p. 15 Corporate Governance review, p. 10-11	
102-30	HHighest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	Corporate Governance review, p. 10-11	
102-31	Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.	Corporate Governance review, p. 10-11	
102-32	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered.		Veikkaus' Board of Directors has approved the Annual Report and Sustainability Report 2020.
102-33	Communicating critical concerns	Corporate Governance review, p. 10	
102-34	Nature and total number of critical concerns	Corporate Governance review, p. 10	
102-35	Remuneration policies for the highest governance body and senior executives	Report on compensation of the governing bodies and personnel 2020	

GRI standard		Reporting content	Location in report	Further information
	Stakeholder engagement			
	103-40	List of stakeholder groups	Cooperation with stakeholders, p. 17-19	
	103-41	Collective bargaining agreements		All employees are covered by collective bargaining agreements, with the exception of those having a management agreement; the HR manager, and the labor relations manager.
	103-42	Identifying and selecting stakeholders	Cooperation with stakeholders, p. 17-19	
	103-43	Approach to stakeholder engagement	Cooperation with stakeholders, p. 17-19	
	103-44	Key topics and concerns raised	Cooperation with stakeholders, p. 17-19	
	Reporting practices			
	102-45	Entities included in the consolidated financial statements		The boundaries of the Sustainability report is the same as those of the financial statements.
	102-46	Defining report content and topic boundaries	The CSR Programme, p. 12-14	
	102-47	List of material topics	GRI, p. 52	Links between the material CSR topics and the GRI standard
	102-48	Restatements of information		No restatements of information.
	102-49	Changes in reporting		No changes in reporting
	102-50	Reporting period		Reporting period: 1 Jan-31 Dec 2020
	102-51	Date of most recent report		12 March 2020
	102-52	Reporting cycle		One year
	102-53	Contact point for questions regarding the report		Veikkaus/Contacts
	102-54	Claims of reporting in accordance with the GRI Standards		The CSR Report was prepared in accordance with the GRI standards core option.
	102-55	GRI content index	GRI, p. 53-57	
	102-56	External assurance		The report has not been made subject to external assurance.
Material topics				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	The CSR Programme, p. 12-14 GRI, p. 52-57	
	103-2	The management approach and its components	Strategy, p. 7-10 The CSR Programme, p. 12-14 CSR management, p. 15	
	103-3	Evaluation of the management approach	CSR management, p. 15	
GRI 200 Economic disclosures				
Economic activity				
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Veikkaus in brief, p. 6 Board of Directors' Report, p. 59-66	
	201-3	Defined benefit plan obligations and other retirement plans	Financial statements attachment 17 Liabilities from employee benefits, p. 82	
Indirect economic impacts				
	203-2	Significant indirect economic impacts	Revenue to society, p. 41	
Purchasing practices				
GRI 103: Management Approach 2016	103-1	Management approach to procurement	Resposible procurement, p. 37	Veikkaus has adopted an Ethical Code of Conduct, which the suppliers must commit to as part of the procurement agreement.

GRI standard		Reporting content	Location in report	Further information
Anti-corruption				
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	Ethical decision-making, p. 36 Responsible procurement, p. 37 Fighting crime and fraud, p. 38	
	205-3	Confirmed incidents of corruption and actions taken		No incidents in 2020.
Tax				
GRI 207 Tax 2019	207-1	Approach to tax	Corporate Governance review, p. 12	
	207-2	Tax governance, control and risk management	Corporate Governance review, p. 12	
	207-3	Stakeholder engagement and management concerns related to tax	Corporate Governance review, p. 12	Veikkaus reports on its tax footprint according to the guidelines issued by the Ownership Steering Unit of the Prime Minister's Office.
	207-4	Country-by-country reporting	Corporate Governance review, p. 12	
GRI 300 Environmental disclosures				
Emissions				
GRI 305: Emissions 2016	305-5	Reduction of GHG emissions	Environmental responsibility and fighting climate change, p. 40	"The Ilmastoystävällinen Veikkaus" ("Climate friendly Veikkaus") programme for the years 2019–2025 aims at supplementing acquisitions that have significant environmental impacts with environmental criteria, reducing the total energy consumption of the premises, and decreasing the environmental impacts of slot machines and game terminals through lifespan management and choices of materials.
Supplier Environmental Assessment				
GRI 308 Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Responsible procurement, p. 37 Environmental responsibility and fighting climate change, p. 40	As part of its environmental responsibility programme, Veikkaus has determined a long-term objective for the environmental criteria of the procurement processes. We aim at making environmental criteria part of 50% of Veikkaus' new public tenders starting from the year 2021.
GRI 400 Social disclosures				
Employment				
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Responsible for Veikkaus' employees, p. 49	
Labor/management relations				
GRI 402: Labor/management relations 2016	402-1	Minimum notice periods regarding operational changes	Responsible for Veikkaus' employees, p. 43 Board of Directors' Report, p. 65-66	Veikkaus complies with the Act on Co-operation within Undertakings in its operations.
Occupational health and safety				
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	Wellbeing at work and occupational safety and health, p. 47-48	
	403-2	Hazard identification, risk assessment, and incident investigation	Wellbeing at work and occupational safety and health, p. 47-48	
	403-3	Occupational health services	Wellbeing at work and occupational safety and health, p. 47-48	
	403-4	Worker participation, consultation, and communication on occupational health and safety	Wellbeing at work and occupational safety and health, p. 47-48	
	403-5	Worker training on occupational health and safety	Wellbeing at work and occupational safety and health, p. 47-48	
	403-6	Promotion of worker health	Wellbeing at work and occupational safety and health, p. 47-48	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Wellbeing at work and occupational safety and health, p. 47-48	
	403-8	Workers covered by an occupational health and safety management system	Wellbeing at work and occupational safety and health, p. 47-48	The entire personnel are covered by the operations of the health and safety committee.
	403-9	Work-related injuries	Wellbeing at work and occupational safety and health, p. 47-48	Injuries associated with work and work-related travel have been reported. Other indicators of this GRI standard have not been reported.
	403-10	Work-related ill health	Wellbeing at work and occupational safety and health, p. 47-48	

GRI standard		Reporting content	Location in report	Further information
Training and education				
GRI 404: Training and education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	Growth opportunities and skills development, p. 45	
	404-3	Percentage of employees receiving regular performance and career development reviews		The whole personnel are covered by performance and career development reviews.
Diversity and equal opportunity				
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	Equality and non-discrimination, p. 50 Corporate Governance review, p. 6-8	
Non-discrimination				
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken		No incidents in 2020.
Public policy				
GRI 415: Public policy 2016	415-1	Political contributions		Veikkaus is not involved in political activities or support them. Veikkaus is registered in the EU Transparency Register.
Customer Health and Safety				
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Responsible towards the players, p. 20-32 Responsible and competitive game products and services, p. 32	The gaming control concept Veikkaus carries out an ethical evaluation of new games and of the revision of existing games by using the Responsibility Evaluation (RaVa) model.
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No incidents in 2020.
Marketing and Labeling				
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Responsible marketing, communications, and reporting p. 34	Responsibility principles of marketing communications
	417-2	Incidents of non-compliance concerning product and service information and labeling		No incidents in 2020.
	417-3	Incidents of non-compliance concerning marketing communications	Cooperation with stakeholders, p. 17-19 Responsible marketing, communications, and reporting, p. 34	The online course "Responsible game sales" for the game salesclerks and retailers, which must be taken annually, was launched at the end of 2020.
Customer Privacy				
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Reliable and secure processing of player data, p. 31	No incidents in 2020.
Socioeconomic Compliance				
GRI 419: Socioeconomic Compliance 2016	419-1	Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area		No incidents in 2020.

VEIKKAUS

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENT 2020

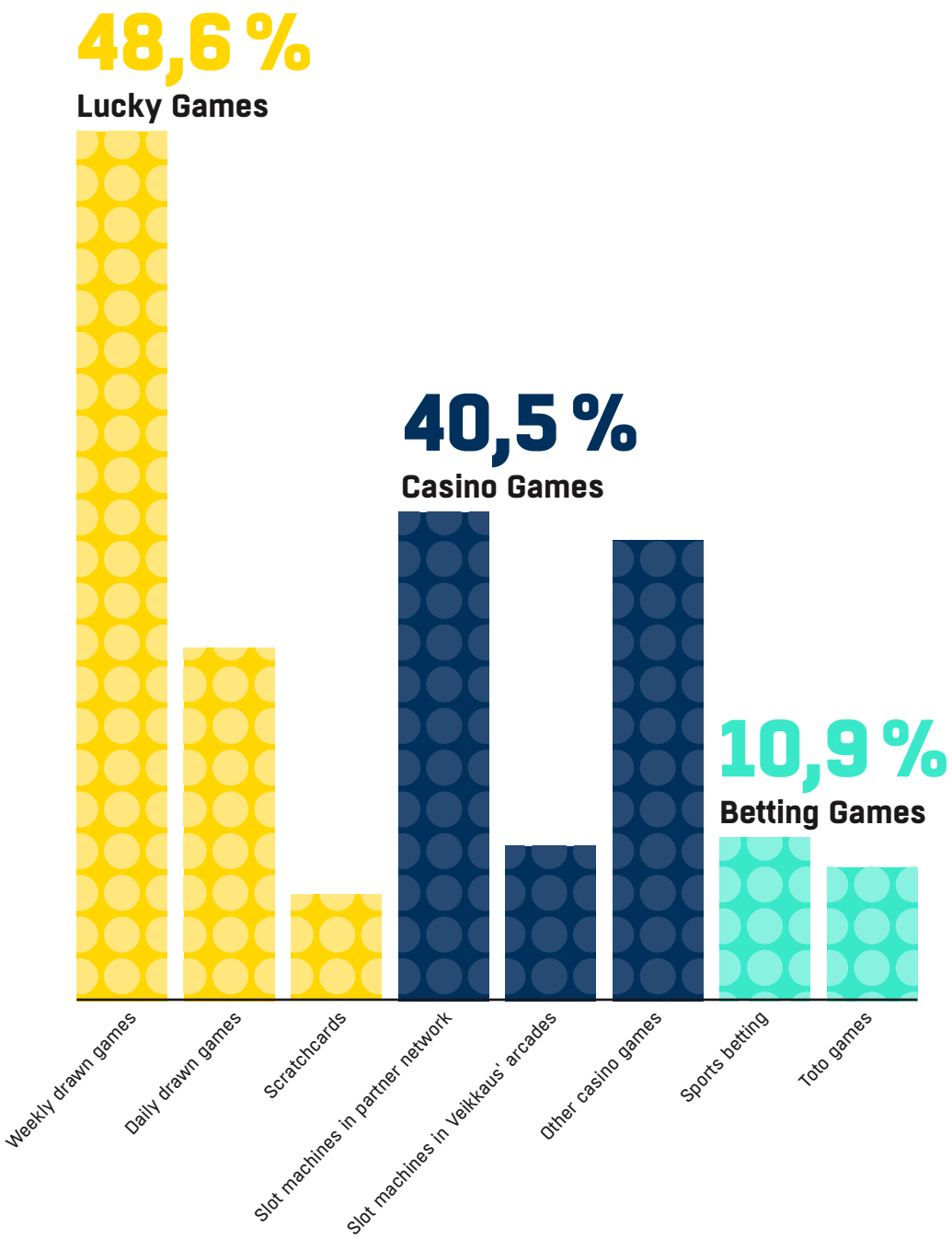
BOARD OF DIRECTORS' REPORT 2020

Veikkaus' profit from gaming operations, i.e., gross gaming revenue amounted to EUR 1,260.3 million (-25.5%) during the financial period 2020. The drastic fall in the gross gaming revenue was caused especially by the coronavirus epidemic and the measures associated with it. Veikkaus' slot machines and gaming arcades were closed for a large part of the year, and the interruptions in the sports series affected the supply of betting objects. The exceptional year also meant changes to the launches of new games and plans to revise existing games. Veikkaus estimates that the coronavirus caused its gross gaming revenue to decrease by over 300 million euros. The total volume spent on Veikkaus games in 2020 was ca. EUR 8.2 billion.

Veikkaus' operating profit was EUR 680.7 million (-32.6%) and financial profit EUR 680.2 million (-32.6%). The expenses caused by the coronavirus protection measures, amounting to ca. 2 million euros, are reported under the expenditure in question in the profit and loss statement. Veikkaus' result remained below the amount to be distributed to the beneficiaries, as recorded in the State Budget 2020 for the beneficiary ministries, i.e., EUR 1,082 million.

The total Finnish gambling market amounted to an estimated EUR 1,585 million in terms of gross gaming revenue in 2020. This figure contains both Veikkaus' gross gaming revenue and the estimate by H2 Gambling Capital concerning Finns' expenditure on digital gambling games provided by other operators. Compared with the year 2019, the total market fell by ca. 21 percent. Veikkaus' share of the total market was ca. 80 percent.

Gambling is shifting strongly towards the digital channel where Veikkaus is competing against foreign operators. The Finnish digital gambling market amounted to ca. EUR 870 million, with the expenditure on games provided by other operators than Veikkaus representing EUR 325 million according to an estimate by H2 Gambling Capital. Online gambling in other gambling services than that of Veikkaus increased by over two percent in the year under review. Veikkaus' share of the total digital market was ca. 63 percent in 2020. The drop in Veikkaus' market share of the digital channel, which has continued for long, has affected Veikkaus' gross gaming revenue negatively.



Game groups: slot machine revenue dropped drastically due to the corona-virus epidemic

Veikkaus games fall into the following game groups in terms of business operations: Lucky Games, Casino Games, and Betting Games. Lucky Games represented 48.6% of Veikkaus' gaming revenue at the end of the year, whereas the share of the Casino Games was 40.5% and that of Betting 10.9%.

The coronavirus epidemic hit hardest on the slot machines, which belong to the Casino Games, as they were closed for a large part of the year. The game to do best as compared with the previous year was Eurojackpot, which offered 90-million-euro maximum jackpots more often than in 2019.

The Lucky Games include the weekly drawn games Lotto, Eurojackpot, and Vikinglotto, and their add-on games Jokeri and Lomatonni. In addition, the group covers the daily drawn games Keno, Kaikki tai ei mitään, Synttärit, and Tähdenlento, which is an online game. The Lucky Games also include the scratchcards. The Lucky Games posted a gross gaming revenue of EUR 612.7 million (-2.9%) in 2020.

Veikkaus' most popular game Lotto lost 15.7% of its gross gaming revenue (EUR 173.0 million). The drop was due to a smaller number of record-high jackpot rounds than in the previous year. Record jackpots were only available on two rounds in 2020, whereas the respective number of rounds had been six in 2019. The biggest Lotto jackpot of all times, amounting to EUR 15.6 million, was won in the City of Uusikaupunki in south-western Finland in February, with an entry played at a local R-Kiosk.

Eurojackpot's gross gaming revenue (EUR 137.0 million) rose by 9.0% over the previous year. The growth was accelerated by the 90-million-euro maximum jackpots that were available on as many as six rounds. In 2019, the maximum jackpots had been offered on four rounds. Eurojackpot has become more popular in Finland, as well as in the other Eurojackpot countries, even on other rounds than those where the maximum jackpot has been available. As a result of the increased popularity, the jackpots

reach the maximum level more quickly than before. One of the jackpots in Eurojackpot was landed in Finland. It amounted to 34.9 million euros and was won by an entry played in Loimaa, south-western Finland, at the local K-Citymarket in August.

The Lucky Games in the digital channel increased their gross gaming revenue (EUR 243.5 million) by 5.4%. In 2020, online gaming represented 39.7% of the gross gaming revenue of the Lucky Games, whereas the respective share was 36.6% in 2019.

The Casino Games cover the digital slots and table games, online poker, eInstants, and eBingo, as well as the slot machines located at the points of sales of the retail network, and the slot machines and table games at Veikkaus gaming arcades. In the year under review, the Casino Games reached a gross gaming revenue of EUR 510.5 million (-44.0%).

Due to measures associated with the coronavirus epidemic, slot machines were closed entirely or in part for a total of about five months during the review period. Even when slots gaming was possible, only some of the slot machines were open, to secure the safe distance between the machines, as required by the coronavirus safety measures. Further, Veikkaus reduced the total number of the slot machines in the retail network by 40 percent as compared with the previous year. These issues had a considerable effect on the gross gaming revenue of the physical slot machines (EUR 229.0 million), which went down by 56.2 percent. The slot machines in the retail partner network represented EUR 226.0 million (-59.3%) of the gross gaming revenue. The slot machines at Veikkaus gaming arcades generated EUR 73.1 million (-43.3%).

The average weekly player numbers of the digital Casino Games increased by 7.4% as compared with the previous year. However, due to a decrease in the customer-specific gross gaming revenue, the total gross gaming revenue of the digital Casino Games (EUR 201.2 million) remained at almost the same level as in the previous year (-1.3%).

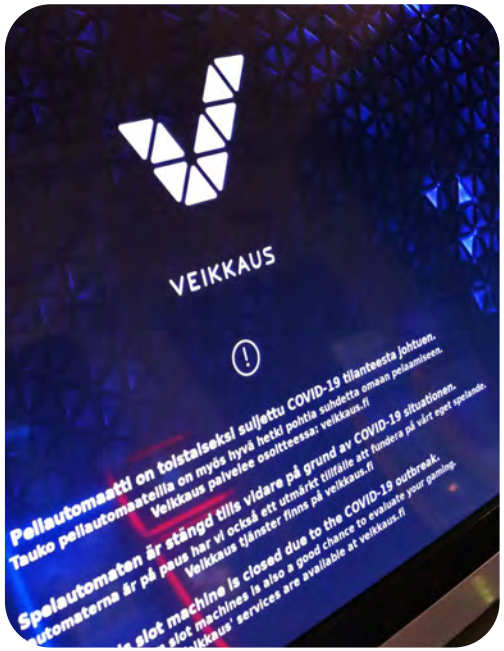
The digital Casino Games attracted temporarily more players after the physical slot machines had been closed at the end of March and during April, when the number of the weekly players in the digital channel went up by 21% as compared with the respective period in the previous year. Besides the closure of the slot machines, the rise in the player numbers was due to large jackpots in Eurojackpot, which attracted more random players to try even the digital Casino Games.

Due to the state of emergency caused by the coronavirus epidemic, the maximum monthly loss limit on the fast-paced games in Veikkaus' online service was lowered from 2,000 to 500 euros following a decree by the Ministry of the Interior on 1 May 2020, and the daily loss limit was lowered from a thousand to 500 euros. The limits covered the online scratchcards, slots games, eBingo, Tähdenlento, and the table games, excluding poker. After the beginning of May, the customer-specific gross gaming revenue went down, and the customer numbers started to decline, reaching the pre-closure level at the end of June. The development of the gross gaming revenue and the number of customers returned to its normal level in October, as the normal monthly loss limit was resumed, while the lowered daily loss limit was kept until the end of the year. The customer numbers showed a slight increase again at the end of the year, as the slot machines were partly closed in late November. The weekly number of customers in the digital channel rose by ca. 15.2% at this point, as compared with the respective period in the previous year.

We released a total of 141 new digital slots and table games at veikkaus.fi during the year under review, most of which by our international game provider partners. Even games of our own production were released: Junareissu, Luna, Kultatassu, Lampunhenki, Viidakkovuori, and Portal Heroes. The popular new game Kulta-Jaska Megaways was developed and released as a joint project of Veikkaus and Red Tiger Gaming. The online scratchcard portfolio was supplemented with seven completely new instant games in 2020. The points of sales of the retail network and Veikkaus gaming arcades saw the release of four new games of Veikkaus' own production. Two of these, Kultatassu and Lampunhenki, were launched to be played by authenticated players only. The goal was to raise the degree of authentication well before the introduction of compulsory authentication on 12 January 2021.

The Betting Games include Pitkäveto (Fixed Odds Betting), Live-veto (Live Betting), the Virtuaaliveto games (Virtual Betting) (removed from the portfolio on 6 April 2020), Moniveto (Multibet), Tulosveto (Result Odds Betting), the Voittajaveto games (Winner Odds Betting), as well as Vakio (Football Pools) and the Toto games. The betting games reached a gross gaming revenue of EUR 137.2 million (-7.2%).

Almost all the sports series were interrupted or cancelled due to the coronavirus epidemic in the spring, causing a dramatic drop in the betting objects available in sports betting. Some of the interrupted ball game series were finalized in the summer, and many of them could start a new season in early autumn. One of the most important series for sports betting, the NHL, did not start a new season in 2020, and even the Finnish League cancelled some of the games scheduled for the end of the year. Despite this, the gross gaming revenue of sports betting recovered well, reaching the level of 2019 at the end of the year. The negative impact of the coronavirus year on the gross gaming revenue of betting was estimated to amount to ca. 10 million euros, which represented about seven percent of the total gross gaming revenue of the Betting Games for the whole year. The restrictions caused by the pandemic showed as a slight additional increase in the relative share of digital gaming of the total. During the year, 74% (+5 percentage points) of the gross gaming revenue of betting were played in the digital channel.



Veikkaus' oldest product, Football Pools (Vakio) turned 80, and we organized special Finnish Championships in Football Pools of the anniversary year on a new Veikkauskisat platform, attracting nearly ten percent of the annual Football Pools customers. Moreover, a celebratory jackpot of one million euros was available for a single jackpot in Vakio 1 from October onwards. In fact, Football Pools improved its gross gaming revenue by two percent during the second half of the year as compared with the previous year.

Trotting races were cancelled for two months in March-April in Finland, but in Sweden, they continued as usual. Players started to take an interest in the Swedish horse betting objects in Finland, just as elsewhere in Europe. With the sports betting objects being minimal in the spring, around a fifth of the lost gross gaming revenue of sports betting were replaced by toto games. The gross gaming revenue of the toto games remained high even after the other sports betting options had recovered in the summer and the autumn. Of the gross gaming revenue of the toto games, 47% came from the Finnish races, whereas the share of the Swedish races was 48%.

Sales channels: slot machines and gaming arcades closed for a large part of the year

In 2020, 56.6% of Veikkaus' gross gaming revenue came from the physical points of sales, and 43.4% came from the digital channel (+11.6 percentage points). The growth of the digital channel was especially due to the fact that the share of point-of-sales gaming went down, as the slot machines were closed for a large part of the year. The fact that the online gaming loss limits were temporarily lowered reduced the gross gaming revenue from the digital channel and the customer numbers.

Veikkaus' online service registered an average of 760,287 customer logins a week in 2020. The total number of customers logging into the service during the whole year was 1,552,134. Mobile gaming continued to increase in popularity, and up to 80% of the customers logging into the online service used a mobile device for gaming at the end of the year.

Several reforms were introduced during the year to develop the customer experience in the online service. The site concept and visual design of the Casino Games were revised, and new pages were published in the Betting Games site at the end of the year. Moreover, we released a revised version of VeikkausTV; the Veikkausuutiset news site, which gathers betting tips, backgrounds, and blogs on one and the same page; and a free Veikkauskisat (Veikkaus competitions) site for the Loyal Customers, offering competitions related to Football Pools, the Toto games, and Result Odds Betting. We also initiated a reform of the Lucky Games site during the year 2020.

The accessibility of the online service was enhanced to serve different customers better. Moreover, the user interface of the gaming self-control site was revised, making it easier for the customers to manage their personal information. The structure and visual design of the Veikkaus application was revised and new features were introduced, including authentication on slot machines.

Veikkaus gaming arcades were closed in March due to the Covid-19 pandemic, and they were reopened on 26 June. The arcades were closed again in November in health care districts in the acceleration or spreading stages of the coronavirus. During 2020, most of the arcades were closed for ca. 140 days. At the end of the year, only four of Veikkaus gaming arcades were open as a result of the epidemic.

Besides the temporary closures, we made significant changes at the gaming arcades to protect the customers and employees against the virus. We followed closely the recommendations on safe distance issued by the authorities, paid special attention to hygiene and installed protective plexiglass shields to the cash desks, game tables, and between the slot machines. In addition, we restricted the number of customers and the opening hours, and the personnel were offered the chance to wear different protective gear.

The decentralized slot machines in the **retail network** were also closed in the entire country due to the coronavirus epidemic in March and reopened in July. From the end of November, the decentralized slot machines were closed again in regions in the acceleration and spreading stages of the virus. When the slot machines were open, we took care of the protection against the virus by safe distances, protective plexiglass shields, and reinforced hygiene. Due to the recommendations on safe distance, only some of the decentralized slot machines were open for playing. Further, starting from July, the slot machines could only be played during limited opening hours, between 11:00 a.m. and 4:00 a.m.

Another factor that led to a decrease in slots gaming was the reduction of the decentralized slot machines from 18,500 to 10,500, carried out in 2020. This remarkable reduction of ca. 40 percent in the number of slot machines in stores, kiosks, service stations, and restaurants resulted from Veikkaus' independent decisions to introduce measures enhancing the social responsibility of the gaming activities. The decision to cut down the number of the slot machines was already made in autumn 2019, but during 2020, we decided to double the number of the slot machines to be removed. The reductions were basically carried out by limiting the maximum number of the slot machines per one point of sales to four. This was a significant change, as the largest retail units could previously have up to 15 slot machines at the maximum. The number of the points of sales was also cut during the year 2020 by ca. 1,000, representing a reduction of ca. 15% in the scope of the slot machine distribution network. Up to 70 percent of the points of sales currently have just one or two slot machines, so the decentralized slot machines lost a lot of their prominence in 2020.

The measures to fight the coronavirus and the reduction of the slot machines meant that there were only between 6,500 and 7,500 slot machines available for gaming simultaneously during the second half of the year. This was only a little over a third of the number of slot machines in 2019. The coronavirus epidemic also affected the way people moved and did their shopping, which reduced gaming in the brick-and-mortar points of sales.

Our multi-year sales reform project took significant steps forward, as Veikkaus chose a new game sales terminal. The new sales terminal will replace the current betting and toto game terminals at around 4,000 points of sales selling coupon games. All the coupon games can be sold using the same terminal in the future, which means that there will no longer be need for a separate toto game terminal. We are planning to launch the widespread installation of the new sales terminals to all the points of sales and the gaming points at horse race tracks in 2022. The new terminals will enable authenticated gaming even with the toto games and the scratchcards. In early autumn 2020, Veikkaus transferred, together with one of its partners, the data connections of the retail network to Veikkaus' new gaming network. A shared data network is an indispensable prerequisite to incorporating all the slot machines of the retail network into the compulsory authentication system. The project, having lasted a year and a half and unique in scale in the Finnish context, aimed at ensuring well-functioning data transfers and a sufficient capacity for a long time ahead.

Veikkaus adopted a reference age limit of 30 years on gaming at all of its points of sales in 2020. The objective was to facilitate age limit controls and make them clearer for both the salesclerks and the customers. The new reference age limit is in line with the other product groups subject to age limit controls. The requirement of compulsory authentication, covering the decentralized slot machines since January 2021, will make age limit controls easier still at the points of sales.

Further, Veikkaus made its guidelines concerning game sales work and marketing more specific during the review period. The total amount of marketing at the points of sales was reduced; its contents and ways of presentation were specified, and the instructions concerning customer service situations were defined in more detail. All marketing related to gaming must be approved by Veikkaus.

Veikkaus decided to bring forward the schedule of implementation of full authentication

Veikkaus wants to provide its customers with an even safer and more responsible gaming environment. One of the most important measures in this endeavour is compulsory authentication, which Veikkaus will implement gradually by the end of 2023.

Compulsory authentication was first introduced to the slot machines in the retail network as of 12 January 2021. During the review period, Veikkaus also announced that compulsory authentication would be introduced to the Feel Vegas and Pelaamo gaming arcades in summer 2021. At Casino Helsinki, compulsory authentication will be adopted in spring 2021, and the slot machine and table games at Casino Tampere, which will be opened in December 2021, will be subject to compulsory authentication right from the beginning. We also aim to make fixed odds betting subject to compulsory authentication in 2021.

Compulsory authentication enables the introduction of new gaming self-control tools. Veikkaus has proposed, e.g., that, starting from June 2021, slots gaming would be made subject to the same loss limits as those which are currently applied to fast-paced online games. Compulsory authentication also makes the age limit controls at the points of sales easier and facilitates the prevention of money laundering and other criminal activities.

The share of authenticated gaming of all gaming was 58.1 percent in the review period. This meant a rise of 13.1 percentage points from the previous year; however, the rise was largely due to the decline of anonymous gaming caused by the closure of slot machines. Of all slots gaming, 11.5 percent (+1.5 percentage points) took place authenticated. The authentication degree for the slot machines in the retail network was 12.5 percent (+2.5 percentage points).

We guided the customers towards authenticated instead of anonymous gaming during the review period, for example, through various communications. In addition, all the new slots games released in autumn 2020 could only be played authenticated. We tested and analysed the practical implementation of

compulsory authentication at the points of sales through both customer surveys and two different pilots at 98 points of sales, in order to produce a good customer experience. At the end of the year, we also started pilots on authentication at Veikkaus gaming arcades. The personnel and the game salesclerks working for the retailers were offered skills training on compulsory authentication.

The slot machine technology required by compulsory authentication and the player services were also developed during the year under review. The development and improvement measures covered the data connections, the slot machines, as well as their user interfaces. Moreover, we planned authentication solutions for the table games at the gaming arcades.

Updated brand reflects more responsible strategy

Veikkaus' Board of Directors approved the company's updated strategy and vision in February 2020. Veikkaus' strategy foregrounds player-centred responsibility. The other priorities of the strategy are channelling capacity, new business, and the aim to turn Veikkaus into the best place to work in the gaming business. Veikkaus' vision is to be the "Trailblazer of a responsible customer experience" and the mission is to "Generate joy through games".

Veikkaus brand promise was also updated to reflect the new strategy and the responsibility measures taken and decisions made. The updated brand centres on the customer, and it focuses more strongly on responsibility, reliability, and an excellent player experience. The promise of the updated brand, "Let's keep gaming on the joyful side" highlights Veikkaus' mission to generate joy through games, yet in a safe environment and in such a way that gaming remains under control, i.e., "on the joyful side" Hundreds of Veikkaus' employees took part in the work to update the brand in various discussion forums and workshops. In addition, extensive customer surveys were carried out to provide basis for the brand work.

According to a survey by Frankly Partners (12/2020), 68% of Finns held a positive image of Veikkaus. In 2019, the respective figure was 49% in a survey by Taloustutkimus (12/2019). According to the Reputation&Trust survey (12/2020), Veikkaus' reputation had improved as a whole during the review period. In the survey made in December 2019, Veikkaus' reputation was rated as 3.27, whereas in December 2020, it was 3.34.

Customer satisfaction on previous year's level

At the end of the review period, Veikkaus had a customer base of ca. 2,152,000 Loyal Customers, of whom ca. 163,000 were Gold Customers, and 72,000 Silver Customers. The Pelaa maltilla (Play with moderation) service message required for joining the Gold and Silver levels had been subscribed to by ca. 289,000 Loyal Customers, and the Game Test, required for joining the Gold level had been taken by ca. 310,000 customers.

Veikkaus' average Net Promoter Score for the whole year was the same as that of the previous year, being 19. According to the responses, the factors to raise customer satisfaction were the fact that Veikkaus is domestic, its services are reliable and easy to use online and via mobile devices.

The annual Asiakkuusindeksi (Customer Experience Index) survey, measuring Finnish companies' customer experience and loyalty, focused on analysing how Finnish companies had helped their customers and taken care of them during the time of the coronavirus. With 56 organizations studied, Veikkaus ranked among the top ten companies in this category.

Due to the coronavirus pandemic, all the benefits that Veikkaus normally offers its customers to enter various events and locations were removed on 12 March. At the end of the year, benefits associated with different events and physical locations were available case by case, depending on the situation of the epidemic.

During the review period, we guided customers to take up authenticated instead of anonymous gaming. From the beginning of November, players were offered a chance to participate in the Loyal Customer Draws whilst playing authenticated on the slot machines of the retail network.

During the year under review, Veikkaus set an objective for its customer experience, which will be implemented in Veikkaus' operations in a goal-oriented manner in 2021. The objective is to have satisfied customers playing in a way that "keeps gaming on the joyful side", as our brand promise suggests.

Veikkaus follows the prevalence of gambling problems

Veikkaus' Board of Directors approved the company's new CSR Programme for 2020–2025 in March. The programme includes the following priorities: Responsible towards the players, Responsible business, and Responsible for Veikkaus' employees. It defines our long-term commitments, the material themes, and the top-level objectives and benchmarks. The programme also incorporates links to our choices among the UN Sustainable Development Goals. The year 2020 also saw the revision of Veikkaus' responsible marketing communications principles according to the updated strategy. The principles can be read at Veikkaus' website.

Like in the previous years, Veikkaus commissioned two extensive population surveys from Taloustutkimus market research company in 2020. The surveys analysed Finnish gambling and the prevalence of gambling problems. Their prevalence was analysed using the SOGS-R questionnaire.

During the surveys, which took place in the spring and the autumn, ca. 5,000 people from 15 to 79 years of age were interviewed. The average prevalence of gambling problems in the two surveys was 2.5% (population estimate 102,000) in 2020. The result for the year 2020 was the lowest since the series of surveys on the prevalence of gambling problems was started in 2017. It is not yet possible to evaluate whether the drop in the game provision caused by the coronavirus epidemic affected the prevalence of the problems.

In the autumn survey, 24 percent of the respondents suffering from gambling problems cited only Veikkaus as the game provider causing their problems, whereas the respective figure had been 26 percent in the spring. The respondents to cite only offshore providers as problematic in the autumn was 21 percent, while it had been 15 percent in the spring. The Sustainability Report 2020 contains more detailed information on the development of the gambling problems.

Veikkaus is preparing for new business

Veikkaus continued to prepare for the launch of international B2B activities. The new business to business activities that Veikkaus is planning will be based on the supply of gaming services and products developed by Veikkaus to business customers. At the end of 2020, Veikkaus applied for a license from the Prime Minister's Office to launch technical preparations for the new business operations. The licence was granted after the financial period on 15 January 2021.

The new business operations cannot be actually initiated before the new Lotteries Act becomes effective. The launch schedule of the B2B activities will be determined as the new Lotteries Act is prepared and enters into force. According to estimates, the new Lotteries Act will become effective by the beginning of 2022 at the latest. Veikkaus will launch technical preparations in 2021, in order to be able to start the business operations efficiently once the Lotteries Act has entered into force.

Total expenses developed moderately

The company's expenses decreased as a result of the continuous development of the operations, a drop in the integration costs, and the removal of overlapping expenses. Veikkaus paid EUR 151.3 million in lottery tax to the State, whereas the retail commissions paid to the business partners were EUR 110.3 million. Both of these expense items decreased as the gross gaming revenue dropped from the previous year. In spite of the decrease in the costs, Veikkaus' cost-effectiveness went down as the gross gaming revenue fell, with the costs to gross gaming ratio being 32.9% (27.7%).

The exceptional year with the coronavirus also affected the other operating expenses of the company. The layoffs following the gaming arcade closures led to significant decreases in the salaries and wages, and the statutory social expenses. The marketing activities lessened as the betting object events were cancelled. Further, the travel expenses dropped from the year before.

Due to the pandemic, the expenses went up as regards the game object compensations paid to Swedish horse race events and the costs related to the equipment for protection against the coronavirus. In 2020, the company invested especially in responsibility measures and control systems.

Research and development investments

Veikkaus spent a total of EUR 26.4 million (-1.4%) on research and development in 2020. The development activities centred particularly on responsible gaming and channelling capacity. Furthermore, we also invested in the development of game platforms and user interfaces during the review period.

Governance: new members to the Board of Directors and Supervisory Board in April

In the General Meeting held on 2 April 2020, Mr Pekka Hurtola was appointed a new member of Veikkaus' Board of Directors. The Board continues to be chaired by Mr Olli-Pekka Kallasvuo, and the other members are Mr Christian Cedercreutz, Ms Outi Henriksson, Ms Anne Larilahti, Mr Juha A. Pantzar, and Ms Hanna Sievinen.

Mr Jukka Gustafsson (Parliamentary group of the Social Democratic Party) was elected chairperson of the Supervisory Board, and Mr Jani Mäkelä (Parliamentary group of the Finns Party) was elected vice chairperson. In addition, five new members were appointed.

Personnel: gaming arcade closures led to layoffs

Veikkaus employed 1,592 persons at the end of the review period (1,606 at the end of 2019). Of the employees, 57% were working as croupiers and dealers, or in other customer service jobs. The share of full-time employees was 72%, and that of part-time employees was 28%. Up to 97% of the employees had permanent employment contracts. Women represented 40% of the personnel and men 60%. The personnel expenses were EUR 87 million (-11.4%) in 2020. Salaries and wages amounted to EUR 73.4 million, whereas pensions and indirect personnel expenses were EUR 13.6 million.

Despite its very exceptional nature, the year 2020 was a period of strong development of the personnel experience and wellbeing at Veikkaus. The company launched a strategic programme focusing on the development of culture, knowledge, and organizational structures. The programme was named "Pelialan paras työpaikka" ("The best place to work in the gaming industry"). Due to the coronavirus epidemic, remote work was the main form of working for about a half of the personnel from March onwards.

Following the state of emergency caused by the coronavirus epidemic and the closure of Veikkaus gaming arcades, Veikkaus had to lay off ca. 660 employees working at the arcades in May and June. As the situation with the epidemic worsened again and arcades and slot machines had to be closed, another round of cooperation negotiations was necessary in December, covering the layoffs of ca. 800 employees in the Points of Sales function. As a result of the negotiations, the layoffs of ca. 500 employees were initiated in the first phase at the beginning of 2021. We also took various measures aimed at improving the agility and lowering the hierarchy of the organization during the year under review. These changes did not lead to personnel cuts.

The development of strategically significant issues is monitored through Pulse surveys twice a year at Veikkaus. The survey result of May 2020 ranked the highest among the results of the years 2018 –2020, and the high result level was retained in the survey made in December.

Supervision and risk management

According to chapter 42, section 2 of the Lotteries Act (506/2009), Veikkaus' gaming operations are supervised by the National Police Board working under the Ministry of the Interior. The Ministry of the Interior approves the rules of the games, and the National Police Board supervises that the rules are complied with.

The company's supervision and risk management are described in the Corporate Governance 2020 report.

Future prospects

Veikkaus' operating environment continues to be challenging and it is hard to estimate what the effects of the coronavirus will be in the short and long term. Gaming is shifting more and more strongly towards the digital channel, where Veikkaus competes against foreign gambling operators. The upcoming amendment of the Lotteries Act will play a central role in the way in which gaming will be channelled towards Veikkaus' supply in the future. The amendments to the Lotteries Act are not estimated to affect the figures of the year 2021 to a significant degree.

The sustainability measures decided by Veikkaus' Board of Directors have a major impact on the company's financial prospects. It is estimated that in 2021, Veikkaus' total return will remain at a clearly lower level than that of the years 2017–2019. To compensate the decline in the return, it was decided during the preparation of the State Budget that the lottery tax should be lowered temporarily to 5.5 percent for the period between 1 January and 31 December 2021.

Board of Directors' proposal for the distribution of profits

The profit for the financial period of 2020 of Veikkaus Oy was EUR 680,176,815.62. The Board of Directors proposes that the profit of the financial period be returned to the beneficiary ministries: EUR 27,207,072.62 to the Ministry of Agriculture and Forestry; EUR 360,493,712.28 to the Ministry of Education and Culture; and EUR 292,476,030.72 to the Ministry of Social Affairs and Health. Veikkaus' direct financial profit to society in the year under review can be calculated to amount to a total of EUR 862.4 million. Further, Veikkaus paid EUR 151.4 million to the State in lottery tax, and a total of EUR 30.5 million in VAT, which affected the result as an expense. Veikkaus is not VAT liable and cannot therefore deduct the VAT included in its purchases of goods and services.

STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	2020	2019
GROSS GAMING REVENUE	1	**1,260,338,202.18**	1,690,744,435.90
Other operating income	3	**3,477,374.39**	4,414,463.18
Lottery tax		**151,315,538.40**	202,901,656.41
Materials and services			
Payments to authorities and supervision fees		**13,410,851.07**	9,888,955.02
Retail comissions and location fees		**110,262,308.20**	159,035,985.92
Materials and supplies		**9,592,415.80**	5,550,376.54
Coupons and scratchcards		**4,838,989.01**	5,386,820.76
Drawing expenses and result information		**10,416,958.12**	11,138,889.35
Game event cooperation		**12,667,063.45**	7,831,408.08
Product advertising		**7,613,767.20**	11,251,952.60
		168,802,352.85	210,084,388.27
Employee benefit expenses			
Salaries. wages. and compensations		**73,398,147.03**	80,323,732.43
Pension expenses		**11,660,542.17**	15,405,682.13
Indirect personnel expenses		**1,934,829.53**	2,455,778.46
		86,993,518.73	98,185,193.02
Other operating expenses			
Services purchased	5	**66,996,042.55**	63,436,775.63
Depreciation and impairment	4.9.10	**66,550,039.04**	58,343,097.69
Other operating expenses	6	**42,471,348.78**	52,789,326.42
		176,017,430.37	174,569,199.74
OPERATING PROFIT		**680,686,736.22**	1,009,418,461.64
Financial items			
Financial income	8	**175,896.86**	230,894.96
Financial expenses	8	**685,817.46**	636,638.57
		-509,920.60	-405,743.61
TAXES		**0.00**	0.00
PROFIT FOR THE FINANCIAL YEAR		**680,176,815.62**	1,009,012,718.03
Earnings per share *			
Number of shares		**6,000,kpl**	6,000,kpl
Earnings per share		**113,362.80**	168,168.79

*Earnings per share was calculated by dividing the profit for the financial year by the numbers of the shares.

BALANCE SHEET

EUR	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	9	**121,155,608.13**	145,126,463.71
Intangible assets	10	**19,845,861.83**	24,513,531.79
Right-of-use assets	12	**30,573,881.00**	25,619,775.00
Long-term investments	13	**1,007,363.52**	1,236,387.43
Other non-current receivables and advance payments	13	**13,611,284.00**	14,324,280.50
CURRENT ASSETS			
Inventories		**3,940,536.57**	5,093,092.99
Advance payments		**670,000,000.00**	963,000,000.00
Accrued income and deferred expenses	14	**23,441,592.89**	42,250,079.12
Cash and cash equivalents	15	**149,287,936.01**	139,593,313.07
TOTAL ASSETS		**1,032,864,063.95**	1,360,756,923.61
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	16	**600,000.00**	600,000.00
Acquisition capital	16	**151,257,550.33**	151,257,550.33
Invested unrestricted equity reserve	16	**345,698.01**	345,698.01
Profit for the financial year		**680,176,815.62**	1,009,012,718.03
TOTAL SHAREHOLDERS' EQUITY		**832,380,063.96**	1,161,215,966.37
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease debts, interest-bearing	12	**21,885,910.00**	16,132,489.00
Liabilities from personnel benefits	17	**4,291,000.00**	3,697,000.00
Other non-current liabilities	17	**1,528,618.00**	1,440,083.00
CURRENT LIABILITIES			
Lease debts, interest-bearing	12	**9,359,197.00**	9,901,193.00
Advance payments received	18	**5,253,853.17**	5,629,987.72
Advances for multi-week subscriptions	18	**17,159,933.35**	12,098,158.36
Accounts payable	18	**15,015,483.83**	16,021,271.21
Prizes payable	18	**38,726,270.69**	35,704,022.33
Settlement debt to the State	18	**26,433,086.08**	37,925,823.04
Accrued liabilities and deferred income	18	**48,124,900.85**	48,924,859.16
Other current liabilities	18	**12,705,747.02**	12,066,070.42
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,032,864,063.95**	1,360,756,923.61

CASH FLOW STATEMENT

EUR	Note	2020	2019
CASH FLOW FROM BUSINESS OPERATIONS			
Operating profit		**680,686,737.22**	1,009,418,461.64
Adjustments to cash-flow based on business operations			
Depreciation		60,970,954.22	57,541,303.57
Other non-cash income and expenses (+/-)		4,844,642.31	-158,262.39
Other adjustments (+/-)		0.00	0.00
Cash flow from business operations before change in working capital		**746,502,333.75**	1,066,801,502.82
Changes in working capital			
Increase (-) / decrease (+) in working capital		1,152,556.42	1,525,543.20
Increase (-) / decrease (+) in current non-interest-bearing receivables		19,521,482.73	1,069,962.68
Increase (+) / decrease (-) in current non-interest-bearing liabilities		-4,268,382.25	-13,566,667.77
Cash flow from business operations before change in financing items and taxes		**762,907,990.65**	1,055,830,340.93
Interests received from business operations		94,952.31	150,782.31
Interests paid and other financial expenses of the business operations (-)		-685,818.46	-636,638.57
Direct taxes paid (-)		0.00	0.00
CASH FLOW FROM BUSINESS OPERATIONS		**762,317,124.50**	1,055,344,484.67
CASH FLOW FROM INVESTMENTS:			
Investments in tangible and non-tangible assets	11	-29,712,719.08	-32,619,566.03
Income from disposal of tangible and non-tangible assets		3,427,508.00	2,207,930.00
Dividends received from investments	11	80,944.55	80,112.65
CASH FLOW FROM INVESTMENTS		**-26,204,266.53**	-30,331,523.38
CASH FLOW FROM FINANCING:			
Settlements to the beneficiary ministries		-716,012,718.03	-1,002,208,253.77
Refunding of lease debts		-10,405,517.00	-9,801,194.00
CASH FLOW FROM FINANCING		**-726,418,235.03**	-1,012,009,447.77
CHANGE IN CASH AND CASH EQUIVALENTS:		9,694,622.94	13,003,513.52
Cash and other short-term investments at the beginning of the financial year		139,593,313.07	126,589,799.55
PERIOD		**149,287,936.01**	139,593,313.07

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR thousand	Share capital	Acquisition capital	Invested unrestricted equity fund	Accumu-lated pfize funds	Total share-holders' equity
Shareholders' equity 31 Dec 2019	600	151,258	346	1,009,013	1,161,216
Settlements to the Ministry of Education and Culture				-534,777	-534,777
Settlements to the Ministry of Social Affairs and Health				-433,875	-433,875
Settlements to the Ministry of Agriculture and Forestry				-40,361	-40,361
Profit for the financial year				680,177	680,177
Shareholders' equity 31 Dec 2020	600	151,258	346	680,177	832,380

EUR thousand	Share capital	Acquisition capital	Invested unrestricted equity fund	Accumu-lated pfize funds	Total share-holders' equity
Shareholders' equity 31 Dec 2018	600	151,258	346	1,014,208	1,166,412
Settlements to the Ministry of Education and Culture				-537,530	-537,530
Settlements to the Ministry of Social Affairs and Health				-436,110	-436,110
Settlements to the Ministry of Agriculture and Forestry				-40,568	-40,568
Profit for the fiinancial year				1,009,013	1,009,013
Shareholders' equity 31 Dec 2019	600	151,258	346	1,009,013	1,161,216

ACCOUNTING PRINCIPLES 2020

Corporate profile

Veikkaus Oy is a Finnish gaming company domiciled in Helsinki, Finland. The company's operations started at the beginning of 2017, when the gaming operations of the three previous gaming operators were integrated. Veikkaus is a limited liability company fully owned by the Finnish State, subject to ownership steering by the Prime Minister's Office. The company is subject to regulations on limited liability companies and the State Shareholdings and Ownership Steering Act. Further, Veikkaus' operations are regulated in accordance with the Lotteries Act, according to which Veikkaus Oy has the exclusive right to operate gaming in Finland. Veikkaus provides entertaining and exciting games to Finns in a secure and reliable manner. The company aims to ensure its competitiveness and maintain the strong market position of Veikkaus' digital games by constantly developing new innovations for the customers. Veikkaus' game revenue is used for the benefit of Finns through the distribution of funds. The company's task is to operate gaming in such a way that the legal protection of those engaging in gaming activities is secured, abuse and crime are prevented, and any economic, social, and health-related problems are prevented and reduced.

According to its articles of association, Veikkaus' field of operations, in accordance with the Lotteries Act, covers the operation of sporting and horse race competitions, and other gaming based on the results of competitions or draws; betting games, lotteries, and slot machine and casino operations, as well as any activities arising from these operations. The rules of the gambling games are laid down by a Ministry of the Interior Decree. The rules of the games must contain regulations on prize payout and the refunding of stakes, as well as regulations on the largest allowed stakes and prizes for slot machines, special slot machines, and casino games. Further, the rules of lotteries, pools, betting, and toto games must also contain regulations on the draws.

The company has a Supervisory Board. The Supervisory Board's task is to monitor and supervise that the company carries out gaming operations, and to support cooperation between the company and its stakeholders. The company's gaming operations are supervised by the National Police Board, working under the Ministry of the Interior.

Basis of preparation

Veikkaus Oy's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) effective on 31 December 2020 and approved for use within the European Union, as well as the interpretations concerning the standards (IFRIC). The financial statements also comply with the regulations of the Finnish Accounting Act (FAS), and other statutes and regulations concerning the preparation of financial statements effective in Finland.

The data in the financial statements are presented in euros, and they are based on the original acquisition costs of the transactions, unless separately stated in the accounting principles. The figures in the financial statements have been rounded from the exact values, so the total amounts of the individual figures presented differ from the total amounts presented.

The financial statements were prepared for 12 months from 1 January to 31 December 2020. The Board of Directors of Veikkaus Oy approved the financial statements for publishing on 11 February 2021. According to the Finnish Limited Liability Companies Act, the regular General Meeting has the right to approve, reject, or alter the financial statements after their publication.

Accounting estimates

The preparation of the financial statements in accordance with the IFRS standard requires that the management makes estimates and assumptions about the future, together with decisions based on judgment, which affect the amount of the reported assets and liabilities, including contingent assets and liabilities, and the recognition of income and expenses in the income statement. Although the estimates and assumptions are based on the management's best knowledge, the actual results may differ from the values reported in the financial statement.

In Veikkaus' financial statements, the most significant estimates relate to the depreciation periods and depreciation methods of tangible and intangible assets; to the actuarial calculations on the assumptions; and to the present value used for calculating the pension obligation and the bonus for years of service. The actual results may differ from the estimates made. In addition, it is necessary to use judgment in the application of the accounting principles.

Foreign currency items

The company's functional currency is the euro. Transactions denominated in foreign currency are recorded in the functional currency at the exchange rate of the transaction date. Receivables and liabilities in the balance sheet at the balance sheet date have been valued at the closing rates. Foreign exchange differences arising from transactions denominated in foreign currencies, and from translation of receivables and liabilities, are recognized in the income statement through profit and loss. Gains and losses on operating items are included in the corresponding items above operating profit. Financing gains and losses are recognized in the financial income and expenses.

Research and development costs

Research costs are recognized as an expense in the period during which they have been incurred. Costs associated with the development of new products, offerings, and processes, are capitalized when it is probable that the intangible asset resulting from the development will generate future economic benefit and meet the recognition criteria. In addition, the development costs must be reliably definable. After initial recognition, the capitalized development costs are measured at the acquisition cost, less the accumulated depreciation and impairment. Recognizing the depreciation is started when an asset is ready for use.

Non-current assets

Intangible and tangible assets are reported at their original acquisition cost, less the accumulated depreciation and impairment losses. Subsequently, the cost of an asset is only capitalized when it increases the future economic benefit associated with the asset. Intangible and tangible assets are depreciated according to the depreciation plan, based on their estimated economic lifetime. Other expenses, including normal maintenance and repairs, are expensed once they are incurred.

Depreciation periods for property, plant and equipment (years):

Buildings and constructions 25

Basic improvements of real estate 3–5

Property machinery and equipment 5

Gaming fixtures 5–10

Other machinery and equipment 4

ICT devices 4

Depreciation periods for intangible assets (years):

• ICT software and capitalized research and development costs 4

Land, real estate, housing shares and art objects are not subject to depreciation.

Gains or losses arising from the disposal of tangible assets are recognized under other operating income or expenses in the statement of comprehensive income. The depreciation methods, economic life, and residual values of tangible assets are reviewed at the end of the financial year.

Impairment of tangible and intangible assets

The balance sheet value of assets is reviewed on the date of the financial statements, to determine whether there is any indication of impairment; and whenever there are indications that the value of an asset has been impaired. An impairment test is performed to determine any impairment and whenever necessary, and as a result, an impairment loss may be recognized.

A previous recognition of an impairment loss is reversed if the values used for determining the income to be accumulated change substantially. However, the impairment loss is not reversed to an extent exceeding the carrying amount of the asset without the recognition of an impairment loss.

Tangible right-of-use assets and leases

In accordance with IFRS 16, the lessees recognize all their leases in the balance sheet according to a model based on right-of-use. The leased assets are treated during the lease period based on the same principles as owned assets, and their right-of-use assets recognized in the balance sheet are depreciated based on the lease period defined. The debt based on the current value of the lease payments decreases as leases are paid.

A lease is distinguished from service agreements by applying a model based on the right to control. When an arrangement includes an identified asset that is under the customer's control, it is a lease to be recognized in the balance sheet as a right-of-use asset and a consequent lease liability. Service agreements are recognized as expenses in the income statement.

Lease liability:
Veikkaus recognizes lease liabilities on the starting date of the agreement at the current value of the leases that have not been paid on that date. The payments cover the fixed leases, less the possible incentives available, that are associated with the lease. Veikkaus takes into account the payments incurred by the termination of a lease as part of the lease payments, if it has prepared for a termination option during the lease term. Value added tax is not included in the amount of the lease liability; and maintenance and servicing charges, as well as other service-related payments are mainly treated as expenses that cannot be capitalized to the balance sheet.

The leases are discounted based on an estimated interest rate on Veikkaus' additional credit. According to the standard, the interest on the additional credit is defined as the interest that the lessee would pay whilst lending funds for an equivalent period or on equivalent securities, which would be needed for the acquisition of an equivalent asset.

Right-of-use asset:
Veikkaus recognizes the right-of-use asset of a lease on the starting date of the leasing agreement, i.e. on the date when the lessor assigns the asset to Veikkaus' control. The given asset is recognized at the acquisition cost, less the accumulated depreciations and the impairment loss, and adjusted based on the items resulting from the remeasurement of the lease liability. The original acquisition cost corresponds to the amount of the original lease liability. In the future, right-of-use assets will also be subject to impairment tests.

Applying exemptions and core assumptions:
Veikkaus does not treat short-term leases of fewer than 12 months of assets of minor value as right-of-use assets recognized in the balance sheet but reports the leasing expenses incurred by them as expenses of the financial period. As for the temporary leases, Veikkaus considers their non-cancellable lease term and possibly takes into account the optional further terms, when the company has enough certainty that they will be realized. Leases that are effective until further notice are considered to fall within the scope of exemptions on the basis of their 12-month period of notice. According to an estimate by the management, the termination of these contracts does not lead to significant sanctions, and they are therefore considered concessions and are not reported in the balance sheet.

The remaining liabilities of leases on which no right-of-use assets or lease liabilities are recognized in the balance sheet are presented in attachment 20.

Leases in which Veikkaus is the lessor are operative leases, recognized in the income statement on a straight-line basis over the lease term.

Inventory

Inventory is measured at its acquisition cost or net realizable value, depending on which of them is lower. The acquisition cost is determined mainly on the basis of the weighted average acquisition price. Whilst measuring the value of the inventory assets, impairment due to obsolescence is taken into account.

Non-current receivables and advance payments

The non-current receivables include a rent paid in advance on the premises of Casino Helsinki, which is recognized as an expense in the income statement on a straight-line basis over a 20-year rental period.

Loyal Customer Programme

Veikkaus has a Loyal Customer Program for the customers' registration. When gaming takes place authenticated, Veikkaus can offer the customers versatile tools for the control of gaming. Compulsory authentication on decentralized slot machines will be adopted by 31 January 2021.

Financial assets and liabilities

Financial assets
Financial assets are classified in accordance with IFRS 9 into the following categories: those recognized at amortized cost and those recognized at fair value through income statement. The classification is based on the objective of the business model and on the contractual cash flows of the investments or the application of the fair value option in the initial acquisition.

Transaction costs are included in the original carrying amount of financial assets when the item is not recognized at fair value through profit and loss. All purchases and sales of financial assets are recognized at the trade date.

Financial assets at amortized cost
The receivables classified as belonging to the group of financial assets at amortized cost include trade receivables and other receivables, as well as bank deposits of over three months. The assets classified as part of the group are measured at amortized cost using the effective interest method. Trade receivables include the retail agents' sales of games, the retail commissions, less the prizes they have paid out to customers and the difference between slot machine funds and the location fees. The carrying amount of current trade receivables and other receivables is assumed to be the same as the fair value.

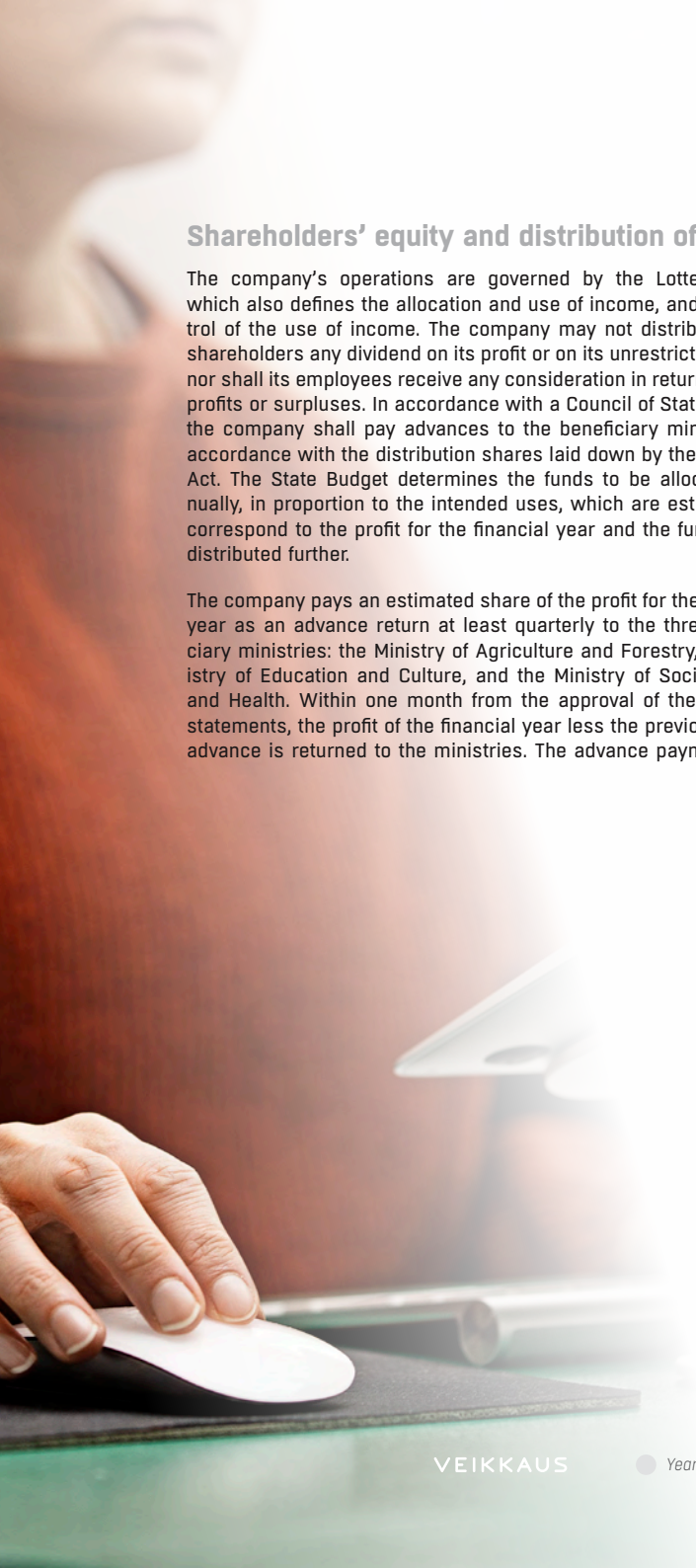
The receivables of Veikkaus Oy are, for the most part, direct debit receivables with very small credit losses. Thus, the company's expected credit loss in accordance with IFRS 9 remains immaterial.

Financial assets at fair value through profit and loss
The group of the financial assets recognized at fair value through profit and loss includes financial assets that have been acquired for trading or are classified at fair value through profit and loss, on the data of their initial recognition. Financial assets held for trading are acquired primarily for obtaining a profit in the short or long term and they are presented under either the non-current or current financial assets.

This group includes Veikkaus' investments in listed and unlisted shares, as well as equities. Gains and losses from changes in fair value, disposal and impairment losses are presented under financial income and expenses.

Cash and cash equivalents consist of cash, bank deposits withdrawable on demand, and other cash equivalents. Other cash and cash equivalents consist of short-term, highly liquid investments, the value of which only shows minor variation. The maturity of the items in the other cash and cash equivalents is a maximum of three months at the acquisition date.

Financial liabilities
The company's financial liabilities are classified as financial liabilities at amortized cost. Financial liabilities at amortized cost are initially recognized at fair value. Transaction costs are included in the original carrying amount of the financial liabilities. Subsequently, the financial liabilities are measured at amortized cost using the effective interest method. Items that are measured at amortized cost may include non-current and current liabilities, trade payables and other liabilities. A financial liability or a part thereof shall only be derecognized when the debt has ceased to exist, when the obligation specified in the contract is discharged or cancelled or expired.



Shareholders' equity and distribution of profit

The company's operations are governed by the Lotteries Act, which also defines the allocation and use of income, and the control of the use of income. The company may not distribute to its shareholders any dividend on its profit or on its unrestricted equity, nor shall its employees receive any consideration in return for their profits or surpluses. In accordance with a Council of State Decree, the company shall pay advances to the beneficiary ministries in accordance with the distribution shares laid down by the Lotteries Act. The State Budget determines the funds to be allocated annually, in proportion to the intended uses, which are estimated to correspond to the profit for the financial year and the funds to be distributed further.

The company pays an estimated share of the profit for the financial year as an advance return at least quarterly to the three beneficiary ministries: the Ministry of Agriculture and Forestry, the Ministry of Education and Culture, and the Ministry of Social Affairs and Health. Within one month from the approval of the financial statements, the profit of the financial year less the previously paid advance is returned to the ministries. The advance payments are presented under current assets in the balance sheet. The result for the financial year is charged from the shareholders' equity following a decision by the General Meeting.

Pensions and other long-term employee benefits

Pension plans
In accordance with IFRS, pension plans are divided into defined contribution and defined benefit plans. The defined contribution plans are such to which Veikkaus makes fixed payments to a pension company and has no obligation to make additional payments even if the fund does not have enough funds to pay the pensions. The payments to the defined contribution plans are recognized in the statement of comprehensive income as statutory pension expenses. Such payments are payments to the TyEL system.

The other pension plans are defined benefit pension plans. They are recognized in the balance sheet as a liability calculated based on certain assumptions, reflecting the amounts of future pensions payable based on the plan. The cost of retirement recognized through profit or loss reflects, inter alia, an increase in debt due to work done by the staff during the financial year.

Items from the defined benefit plans are derived from actuarial calculations. The calculations are based on assumptions concerning, for example, the termination of employment by persons covered by the pension plan before retirement age, the future salary level and the discount rate used in the calculations. Expenses based on seasonal performance and net interest on defined benefit plans are recognized through profit and loss and included in the employee benefit expenses. The items arising from the redefinition of the defined benefit net debt (or asset) are recognized under other comprehensive income.

Long-term employee benefits
The compensation liability for years of service has been calculated based on when the employees joined the company, by discounting the compensation liability realized at the end of the year to the present. Liabilities based on long-term employee benefits are included in the other long-term liabilities in the balance sheet.

Other current liabilities – the prize fund

The prize fund is not an actual fund, but the company's liability to players. The prize fund consists of funds based on the share of prizes that remains undistributed in the prize distribution of the games in accordance with the Lottery Decree and the prizes left unclaimed after the prize claim period of one year or left unclaimed after games of personal draws. The funds in the prize fund are used for additional prize distribution in different games, as well as for adjustments to prizes in accordance with the lottery decree. The company is under obligation to distribute the entire amount corresponding to the prizes determined in the Lottery Decree to the players.

In multinational lottery games of joint prize tiers, the rounding of prizes and the unpaid funds are transferred to the multi-national prize fund of the game. Unless the prizes have been collected within the timeframe provided by the Lotteries Act, the company must transfer individual unclaimed prizes of at least ten million euros to the multinational prize fund of the game and the other unclaimed prizes to the unpaid gaming assets. These funds are used in the company's games as decided by the company.

Gross gaming revenue

The gross gaming revenue consists of the bets placed by players on the games less the prize shares in accordance with the rules of the games. The sales of lottery and betting games are recognized according to the draw dates. The draws may take place weekly or daily.

The unclaimed funds in the cash registers of slot machines on 31 December and the game capital in the prize payout machinery on 31 December have been recognized and entered in the balance sheet as cash and cash equivalents. The lottery tax and the retail commissions on these items are recorded as a liability. According to the Lottery Decree, the prizes left unclaimed in the previous year and the funds generated from the rounding of the prizes shall be paid as prizes on subsequent rounds of the games during the following calendar year at the latest.

The toto games organized by the company include both Finnish and international trotting race events. The company also offers foreign players game events organized in Finland through game operators operating in their home countries. The gross gaming revenue of Finnish and foreign toto games played in Finland is returned according to the time of the confirmation of the game

result. In the case of toto games played to Finland from abroad, the game object compensations paid by foreign gaming operators to Veikkaus affecting the turnover are recognized under game event cooperation.

Other operating income and expenses

Other operating income includes rental income from coin & note exchange machines placed at the points of sales managed by retailers, Casino Helsinki event fees, indemnifications, disposal gains and losses on property, and other non-operating income such as rental income. Other operating expenses include losses from the disposal of assets and expenses related to the operational business.

Materials and services

The retail commissions consist of the retail commissions paid to the partners and based on game sales, as well as of slot machine location fees. The commissions vary according to the games.

Materials and supplies include the cost of spare parts and tools for maintaining the company's gaming equipment.

The payments to the authorities and supervision fees include the costs of monitoring the games, the costs of the supervision systems covering game development; the costs of monitoring and researching gambling addiction; and the costs of the Peluuri Gambling Helpline. In addition, the company's share of the costs of the Funding Centre for Social Welfare and Health Organization, working under the auspices of the Ministry of Social Affairs and Health, is reported in this category.

Scratchcard printing costs, game coupons, receipt rolls, and the costs associated with the Veikkaus Card are expensed at the time of acquisition.

The draw and result information costs include the TV co-operation agreements and other result publishing costs.

Game event cooperation includes the costs of the accessibility of betting object information. The costs are contract-specific or formed on the basis of either game rounds or the annual turnover of games. The costs charged and paid by foreign gaming operators of toto games are included in this category.

Product advertising costs include product-related media slot purchases and production and design costs.

Operating profit

The operating profit consists of turnover and other operating income less the prizes paid and lottery tax, as well as the material and service costs, employee benefit expenses, service purchases, and other operating expenses, depreciation and possible impairment losses.

Taxes

The lottery tax is 12% of the amount determined for the calendar month of the proceeds from the sales of games, less the prizes recognized as an expense. The funds that are withdrawn from or paid into the prize fund during the calendar month are added to or subtracted from the sum.

In accordance with section 59 of the Value Added Tax Act, Veikkaus' operations are not subject to VAT. The effective value added tax is included in the company's expenses and investments.

In accordance with Section 21 of the Income Tax Act, Veikkaus is only liable to income tax in respect of profit other than that referred to in the Lottery Tax Act. Income tax is paid on the rental income on coin & note exchange machines placed at the points of sales managed by retailers, and on the compensation for the use of holiday accommodation by the staff. Veikkaus' financial statements do not include other income subject to income tax.

The impact of COVID-19 on the financial reporting

The World Health organization WHO classified the coronavirus epidemic (COVID-19) as a pandemic on 11 March 2020. The pandemic has had an enormous impact on societies, financial markets, and business all over the world, and it has affected different countries and industries in different ways. In 2020, the pandemic had a major impact on the gross gaming revenue and financial result of Veikkaus Oy. The costs incurred by the protective measures associated with the pandemic are reported under the expenditure in question in the profit and loss statement.

The application of new and revised IFRS standards

At the date of the financial statements, Veikkaus estimated that the upcoming published IFRS standards would not have an effect on Veikkaus' financial statements.

COVID-19

1. Gross gaming revenue by games and game groups

EUR thousand	2020	Share of GGR, %	2019	Share of GGR, %
CASINO GAMES				
Slot machines total	299,042	23.7	683,448	40.4
- Partner network	225,976	17.9	554,582	32.8
- Veikkaus gaming arcades	73,066	5.8	128,866	7.6
Other casino games	211,414	16.8	228,333	13.5
CASINO GAMES TOTAL	**510,457**	**40.5**	**911,781**	**53.9**
LUCKY GAMES				
Weekly drawn games	398,865	31.6	419,829	24.8
Daily drawn games	162,207	12.9	160,830	9.5
Scratchcards	51,652	4.1	50,487	3.0
LUCKY GAMES TOTAL	**612,724**	**48.6**	**631,145**	**37.3**
BETTING GAMES				
Betting games	74,896	5.9	93,077	5.5
Toto games	62,261	4.9	54,741	3.2
BETTING GAMES TOTAL	**137,157**	**10.9**	**147,818**	**8.7**
GAME GROUPS TOTAL	**1,260,338**	**100.0**	**1,690,744**	**100.0**

Other casino games: Digital slot machine games, physical and digital table games, einstants, and eBingo games

Weekly drawn games: Lotto, Eurojackpot, Vikinglotto, Jokeri, and Lomatonni

Daily drawn games: Keno, Kaikki tai ei mitään, Synttärit, Tähdenlento, Pore, and Syke

Betting games: Moniveto, Tulosveto, and Voittajaveto games, Pitkäveto, Live-veto, Vakio, and Virtuaaliveto games

2. Development of profit 2018–2020

EUR thousand	2020	2019	2018
GGR	**1,260,338**	**1,690,744**	**1,758,956**
Operating profit	**680,687**	**1,009,418**	**1,014,504**
% of GGR	54.0%	59.7%	57.7%
Profit before appropriations and taxes	**680,177**	**1,009,013**	**1,014,122**
% of GGR	54.0%	59.7%	57.7%
Profit for the financial year	**680,177**	**1,009,013**	**1,014,208**
% of GGR	54.0%	59.7%	57.7%

3. Other operating income

EUR thousand	2020	2019
Rental income	1,392	2,383
Proceeds from sales of fixed assets	1,367	1,023
Other income	719	1,008
TOTAL	**3,477**	**4,414**

4. Depreciation and impairment

EUR thousand	2020	2019
Buildings and constructions	14,756	5,874
Machinery and equipment	27,068	30,403
Intangible assets	8,484	11,050
Right-of-use assets	10,663	10,215
Disposal loss of fixed assets	5,579	802
TOTAL	**66,550**	**58,343**

Fixed assets and right-of-use assets are depreciated on a straight-line basis over their economic useful lifetime. Land, housing stocks, and art objects are not subject to depreciation.

5. Services purchased

EUR thousand	2020	2019
Services purchased, ICT services	56,057	52,394
Services purchased, other	10,939	11,043
SERVICES PURCHASED	**66,996**	**63,437**
Auditors' fees included in services purchased		
Audit	54	36
Other services	370	265
TOTAL	**423**	**300**

6. Other operating expenses

EUR thousand	2020	2019
Other advertising and marketing expenses	10,977	14,761
Real estate expenses	10,546	12,064
Banking and cash processing expenses	8,033	9,331
Other expenses	12,914	16,634
TOTAL	**42,471**	**52,789**

7. Research and development expenses

EUR thousand	2020	2019
R & D expenses	21,520	20,461
R & D investments	4,857	6,301
TOTAL	**26,378**	**26,762**
Research and development expenses are mainly included in the personnel expenses and services purchased. Research and development investments are related to new products and mainly included in the intangible assets.		

8. Financial income and expenses

EUR thousand	2020	2019
Dividend income from long-term investments	81	80
Interest income from deposit and bank accounts	71	114
Other financial income	24	36
FINANCIAL INCOME	**176**	**231**
Interest expenses on leasing debts	534	538
Other interest expenses	152	99
FINANCIAL EXPENSES	**686**	**637**
TOTAL	**-510**	**-406**

9. Tangible assets and depreciation

2020 EUR thousand	Land and water	Buildings and constructions	Machinery and equipment	Acquisitionsin progress	Total
Acquisiton cost 1 Jan 2020	3,821	125,701	267,420	122	397,065
Increase	0	1,575	21,304	1,324	24,203
Decrease	-437	-15,860	-82,585	0	-98,882
Reclassification	0	113	0	-113	0
Acquisition cost 31 Dec 2020	3,384	111,529	206,140	1,333	322,386
Accumulated depreciation 1 Jan 2020	0	-72,411	-179,528	0	-251,939
Depreciation for the financial year	0	-14,756	-27,068	0	-41,824
Accumulated depreciation on disposal	0	12,220	80,312	0	92,532
Accumulated depreciation 31 Dec 2020	0	-74,946	-126,284	0	-201,231
NET BOOK VALUE 31 DEC 2020	**3,384**	**36,583**	**79,856**	**1,333**	**121,156**

2019 EUR thousand	Land and water	Buildings and constructions	Machinery and equipment	Acquisitionsin progress	Total
Acquisiton cost 1 Jan 2019	3,943	129,065	271,465	48	404,521
Increase	0	1,158	22,971	122	24,251
Decrease	-121	-4,522	-27,016	0	-31,659
Reclassification	0	0	0	-48	-48
Acquisition cost 31 Dec 2019	3,821	125,701	267,420	122	397,065
Accumulated depreciation 1 Jan 2019	0	-70,161	-175,184	0	-245,346
Depreciation for the financial year	0	-5,874	-30,403	0	-36,276
Accumulated depreciation on disposal	0	3,624	26,059	0	29,683
Accumulated depreciation 31 Dec 2019	0	-72,411	-179,528	0	-251,939
NET BOOK VALUE 31 DEC 2019	**3,821**	**53,291**	**87,892**	**122**	**145,126**

Following the adoption ofIFRS 16, the right-of-use assets recognized in the balance sheet are reported as a separate group under non-current assets in the balance sheet. The right-of-use assets are specified in attachment 12.

10. Intangible assets and depreciation

2020 EUR thousand	Software and capitalized development costs	Acquisitions in progress	Total
Acquisition cost 1 Jan 2020	143,002	9,692	152,694
Increase	799	4,711	5,509
Decrease	-15,393	-506	-15,899
Reclassification	2,248	-2,248	0
Acquisition cost 31 Dec 2020	130,656	11,649	142,305
Accumulated depreciation 1 Jan 2020	-128,181	0	-128,181
Depreciation for the financial year	-8,484	0	-8,484
Accumulated depreciation on disposal	14,206	0	14,206
Accumulated depreciation 31 Dec 2020	-122,459	0	-122,459
NET BOOK VALUE 31 DEC 2020	**8,197**	**11,649**	**19,846**

2019 EUR thousand	Software and capitalized development costs	Acquisitions in progress	Total
Acquisition cost 1 Jan 2019	143,043	1,954	144,997
Increase	412	7,956	8,368
Decrease	-671	0	-671
Reclassification	218	-218	0
Acquisition cost 31 Dec 2019	143,002	9,692	152,694
Accumulated depreciation 1 Jan 2019	-117,776	0	-117,776
Depreciation for the financial year	-11,050	0	-11,050
Accumulated depreciation on disposal	645	0	645
Accumulated depreciation 31 Dec 2019	-128,181	0	-128,181
NET BOOK VALUE 31 DEC 2019	**14,821**	**9,692**	**24,514**

11. Cash flow from investments and investments in progress

EUR thousand	2020		2019	
Slot machines	20,105		21,014	
Casino games	186		57	
Transportation equipment	1,009		1,632	
Work tools	6	21,304	268	22,971
Software		3,047		629
Basic improvement of real estate		1,688		1,158
Dividend income		-81		-80
Changes in investments in progress		3,673		7,861
TOTAL		**29,632**		**32,539**

12. Leases

Right-of-use assets EUR thousand	Land	Buildings and constructions	Total
Net book value 1 Jan 2020	183	25,437	**25,620**
Increase for the financial year	3	15,614	**15,617**
Decrease for the financial year	-40	-10,623	**-10,663**
NET BOOK VALUE 31 DEC 2020	146	30,428	**30,574**

EUR thousand	Land	Buildings and constructions	Total
Net book value 1 Jan 2019	196	29,524	**29,720**
Increase for the financial year		6,115	**6,115**
Decrease for the financial year	-14	-10,202	**-10,215**
NET BOOK VALUE 31 DEC 2019	183	25,437	**25,620**

The asset group of land includes land leases. The asset group of buildings and constructions includes the leases for business premises such as the Pelaamo and Feel Vegas arcades and the Casino, as well as the leases for other premises and depots. The lease for the head office is also part of this group.

Lease expenses recognized through profit and loss:	**2020**	**2019**
Lease expenses for short-term leases	1,038	2,188
Lease expenses for minor leases	70	81
Other lease expenses and changing lease expenses for leases	1,186	665
TOTAL	**2,294**	**2,934**
Amounts recorded in the cash flow statement		
Decrease in lease debt	10,406	9,801
Interest on lease debt	534	538
Lease expenses recognized through profit and loss	2,294	2,934
TOTAL	**13,234**	**13,273**

Lease debt	31 Dec 2020	31 Dec 2019
Non-current liabilities		
Lease debt, interest-bearing	21,886	16,132
Current liabilities		
Lease debt, interest-bearing	9,359	9,901
NET BOOK VALUE 31 DEC	**31,245**	**26,034**
Expiry of undiscounted lease payments		
Within a year	9,828	10,292
Between one and five years	22,505	16,247
In more than five years	195	332
TOTAL	**32,527**	**26,871**

The righ-of-use assets recognized in the balance sheet are presented as a separate group under the non-current assets in the balance sheet. The debt incurred by leases is presented as short and long term interest-bearing debt. The upcoming rental payments have been discounted at their present value on the balance sheet, using an estimated interest of 1.5% on an additional loan.

13. Non-current investments and other long-term receivables

NON-CURRENT INVESTMENTS

EUR thousand	2020	2019
Shares in unlisted companies	835	1,066
Listed shares	173	170
TOTAL	**1,007**	**1,236**

PITKÄAIKAISET SAAMISET JA ENNAKKOMAKSUT

EUR thousand	2020	2019
Security deposit, Eurojackpot	12,185	12,185
Lease advances and guarantees paid	1,426	2,139
TOTAL	**13,611**	**14,324**

14. Current receivables

EUR thousand	2020	2019
Accounts receivable	11,481	28,579
Accrued income and deferred expenses	2,913	7,083
Other receivables	9,047	6,589
TOTAL	**23,442**	**42,250**

The accounts receivable consist of game fees uncharged from retailers. The charging period runs from Monday to Sunday and the payments for the previous week are charged on the basis of payment data on Tuesdays, Wednesdays, and Thursdays. There are 5,502 points of sales. Due to the nature of the accounts receivable, there is no credit risk. The balance sheet values of the accounts receivable on the date of the financial statements are assumed to equal their fair value.

KEY ITEMS OF ACCRUED INCOME

EUR thousand	2020	2019
Unclaimed prizes of slot machines	537	3,875
Other accrued income	2,377	3,208
TOTAL	**2,913**	**7,083**

15. Cash and short-term investments

EUR thousand	2020	2019
Cash and bank accounts	81,288	99,593
Deposits and receivables	68,000	40,000
TOTAL	**149,288**	**139,593**

The deposits and receivables are deposits with a short maturity period.

PRINCIPLES OF FINANCIAL RISK MANAGEMENT

In its business operations, Veikkaus is exposed to certain financial risks of a limited scale. The main financial risks are interest risk and CCR (credit risk). To manage these risks, Veikkaus complies with a risk management policy, approved by Veikkaus' Board of Directors. Of the financial risks, exchange risk and liquidity risk are not significant due to the nature of Veikkaus' operations.

INTEREST RATE RISK

Short-term financial investments make Veikkaus subject to an interest rate risk, which is, however, not significant. The income and the operative cash flows are mainly unaffected by fluctuation in the market interest. Due to negative market interest, Veikkaus has agreed on fixed deposit levels with the banks, with the deposits remaining below these levels being subject to an interest of 0.0%. The negative market interest is only applied to the share of the deposits in these accounts exceeding the deposit level.

CREDIT RISK

In its investing activities, Veikkaus complies with the guidelines approved by the Board of Directors, according to which investments are made by securing the capital without exchange rate risks and for a maximum of five years. According to the investment principles, active investing shares is not permitted. The shares currently recognized as long-term investments belonged to the previous gaming operators and were transferred to Veikkaus' ownership during the integration.

The credit risk associated with the accounts receivable is largely dispersed and does not therefore involve a significant credit risk. The retailers' sales and commissions, and the prizes they pay out to customers, the slot machine charges and the location fees are netted, and debited or credited to the retailers. The net receivables are charged or the net liabilities are paid by Veikkaus via a direct debit - credit system. Historic data suggests that the credit loss risk is nearly 0%.

16. Shareholders' equity and equity management

EUR thousand	Shares pcs	2020	Shares pcs	2019
Share capital	6,000	600	6,000	600
Acquisition capital		151,258		151,258
Reserve for invested unrestricted equity		346		346
Profit for the financial year		680,177		1,009,013
TOTAL		**832,380**		**1,161,216**

ACQUISITION CAPITAL

Following approval by the Ministry of Social Affairs and Health, the equity of the former Finland's Slot Machine Association included working capital, which corresponded to the amount of the non-depreciated cost of the non-current assets and the reserve made for future investments (as defined in FAS, the Finnish Accounting Standards). In connection with the integration, the working capital was transferred to Veikkaus' shareholders' equity as acquisition capital.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

The Reserve for invested unrestricted equity is subject to the regulation in chapter 8, section 2 of the Limited Liability Companies Act. The Reserve for invested unrestricted equity is part of the company's unrestricted equity which can be used for distributing funds.

17. Employee benefit obligations

PENSION OBLIGATIONS

Veikkaus' defined benefit pension plans include additional old age pensions for part of the employees to enable them to retire at an earlier age without losing their pension benefit. Pension plans were granted partly to persons having started working for Veikkaus before 1985. With employees having joined the company as old employees of Finland's Slot Machine Association, persons having started to work for the company before 28 February 1994 have access to the pension benefit.

The commitment given to the insured is presented as a liability in the balance sheet, whereas the insurance company's share of the commitment is presented as an asset. Pensions and paid-up policies are adjusted with a pension index, the cost of which is borne by Veikkaus.

In the insurance plan, the amount of the funds is calculated using the same discount rate as that which is applied to the liability. Thus, a change in the discount rate does not lead to significant risks. Similarly, increases in life expectancy do not cause a significant risk, as the insurance company covers the majority of the impact of life expectancy. Meanwhile, Veikkaus is fully liable for any raise in the pensions; thus, an increase in the pension index of, for example 0.5% would raise the liability by 6.9% and, respectively, a decrease of 0.5% would cut the liability by 6.2%.

EUR thousand	2020	2019
Pension liabilities in the statement of comprehensive income		
DEFINED EMPLOYEE BENEFIT LIABILITIES RECOGNIZED IN THE INCOME STATEMENT		
Expenses based on service during the financial year	435	432
Net interest expenses	25	42
TOTAL	**460**	**474**
ITEMS ARISING FROM RECLASSIFICATION	**387**	**912**
RECONCILIATION OF THE NET DEFINED BENEFIT LIABILITY IN THE BALANCE SHEET		
Defined benefit obligation	18,211	17,006
Fair value of assets	-13,920	-13,309
NET DEFINED BENEFIT LIABILITY IN THE BALANCE SHEET 31 DEC	**4,291**	**3,697**
NET DEFINED BENEFIT OBLIGATION IN THE BALANCE SHEET 1 JAN	**3,697**	**2,623**
Amount recognized in the statement of comprehensive income, including items arising from reclassification for EUR 387,000 (EUR 912,000 in 2019).	847	1,386
Contributions to the plan paid by the employer	-253	-312
NET DEFINED BENEFIT LIABILITY IN THE BALANCE SHEET 31 DEC	**4,291**	**3,697**

CHANGES IN THE NET DEFINED BENEFIT OBLIGATION IN THE BALANCE SHEET		
DEFINED BENEFIT OBLIGATION 1 JAN	**17,006**	**15,017**
Expenses based on service during the financial year	437	432
Restriction of the plans	-2	0
Interest expenses	118	252
ITEMS ARISING FROM RECLASSIFICATION		
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	1,041	1,449
Actuarial gains (-) / losses (+) arising from changes in experience-based adjustments	-25	201
Benefits paid	-364	-345
DEFINED BENEFIT OBLIGATION 31 DEC	**18,211**	**17,006**

CHANGES IN THE NET DEFINED BENEFIT OBLIGATION IN THE BALANCE SHEET		
DEFINED BENEFIT OBLIGATION 1 JAN	**13,309**	**12,394**
Interest income	93	210
Income from the plan assets (excluding items included in interest expenses/income)	629	738
Reclassification	0	0
Payments made to the plan by the employer	253	312
Benefits paid	-364	-345
DEFINED BENEFIT OBLIGATION 31 DEC	**13,920**	**13,309**
The amount the company expects to pay to the defined benefit plans during the following year	1,485	287
The funds in the plan are approved insurance agreements.		
MOST SIGNIFICANT ACTUARIAL ASSUMPTIONS		
Discount rate	0.3 %	0.7 %
Rate of salary increase	2.2 %	2.2 %
Rate of pension increase	1.5 %	1.5 %
Weighted average duration of the defined benefit obligation	15	15

OTHER LONG-TERM EMPLOYEE BENEFITS: BONUS FOR YEARS OF SERVICE

Veikkaus grants its employees a bonus for years of service, classified as a long-term employee benefit liability.

Obligation recognized in the balance sheet

EUR thousand	2020	2019
At the beginning of the financial year	1,440	1,519
Change	89	-79
AT THE END OF THE FINANCIAL YEAR	**1,529**	**1,440**

18. Current liabilities

EUR thousand	2020	2019
ADVANCES RECEIVED	**5,254**	**5,630**
ADVANCES FOR MULTI-WEEK SUBSCRIPTIONS	**17,160**	**12,098**
ACCOUNTS PAYABLE	**15,015**	**16,021**
CUSTOMERS' FUNDS	**38,726**	**35,704**
SETTLEMENT DEBT TO THE STATE		
Lottery tax	23,288	34,677
Withholding tax liability	1,559	1,594
Social security liability	77	44
Value added tax	1,509	1,611
SETTLEMENT DEBT TO THE STATE TOTAL	**26,433**	**37,926**
ACCRUALS AND DEFERRED INCOME		
Accrued prizes payable	11,442	13,923
Items arising from salaries and wages	18,437	19,615
Other accrued income	18,246	15,387
ACCRUALS AND DEFERRED INCOME TOTAL	**48,125**	**48,925**
OTHER CURRENT LIABILITIES		
Prize fund	10,406	9,830
Eurojackpot fund	2,285	2,236
Other current liabilities	15	0
Lease debt, interest-bearing	9,359	9,901
OTHER CURRENT LIABILITIES	**22,065**	**21,967**
LYHYTAIKAISET VELAT YHTEENSÄ	**172,778**	**178,271**

The customers' funds include unclaimed prizes and return payments on lottery and betting games, as well as the funds deposited in online players' game accounts.

The prize fund consists of matured unclaimed prizes, funds arising from the rounding of prizes, and unclaimed prizes in disposed scratchcards, which shall be distributed as prizes to players on subsequent rounds of different games in accordance with the Council of State Decree on Lotteries. In 2020 the funds accumulated in the prize fund amounted to EUR 9.4 million, and the funds were used to pay out prizes in different games for EUR 8.8 million during the financial year.

19. Related party transactions

Veikkaus' related parties include the President and CEO, the Executive Team, the Board of Directors, the Supervisory Board, and the other state-owned companies.

Salaries paid, compensations, and fringe benefits

EUR thousand	2020	2019
President and CEO	447	444
Other members of the Executive Team*	1,774	1,488
Board of Directors	281	264
Supervisory Board	93	93
TOTAL	**2,595**	**2,289**

*The Executive Team had 8 members besides the President and CEO in the financial period 2020. The SVP, Legal Affairs and CSR was changed during the year.

The salaries paid include the taxable salaries and other remuneration elements paid to the Executive Team.

The members are entitled to a performance-based incentive for the financial year 2020, the size of which will be determined after the completion of the financial statements, and which will be paid in 2021.

The President and CEO's period of notice is 6 months on both the company's and the President and CEO's part. If certain criteria defined in the President and CEO's contract are met, a severance pay equalling six months' salary is paid. The President and CEO's retirement age is determined in accordance with the Employees' Pension Act.

The notice period of the Executive Team members is 3 months on the part of the company and the executives.

The Board of Directors and the executives do not enjoy extraordinary employee benefits. The executives are entitled to a car and telephone benefit. The executives are not entitled to additional pension benefits or to stock options or share-based incentive plans.

Other related party transactions:
Veikkaus may purchase goods and services from other state-owned companies. The purchase prices of the goods and services are the same as for any other group of customers, and their volume is insignificant.

There were no extraordinary transactions with subsidiaries belonging to the related parties of Veikkaus Oy.

20. Leases and other contingent liabilities

EUR thousand	2020	2019
Lease liabilities Items classified as operative expenses	7,413	5,036
Leasing liabilities	394	491
Other contingent liabilities	68	50
TOTAL	**7,876**	**5,576**
Lease liabilities		
Due within one year	2,670	2,399
Due in over one year but within five years	4,020	2,553
Due in over five years	723	83
TOTAL	**7,413**	**5,036**

Other leases include the leases of business premises of the gaming locations and those of the company's offices.

Leasing liabilities		
Due within one year	308	381
Due in over one year but within five years	86	110
TOTAL	**394**	**491**

The lease liabilities include rental of offices, business premises, depots, and parking spaces. The leases that are the most significant in terms of their amount are temporary, and they are classified according to IFRS 16 as leases that shall be recognized as right-of-use assets in the balance sheet as of 1 January 2019.

The leasing liabilities cover mobile phones, coffee machines, and imported slot machines at Casino Helsinki. In addition, the leasing liabilities cover copy machines.

Banks and financial institutions have granted guarantees in favour of Veikkaus' normal business operations for a maximum of EUR 50,000.00 on 31 Dec 2020. The guarantees will mature in 2027.

21. Signatures of the board of directors' report and the financial statements

Helsinki, 11 February 2021

Olli-Pekka Kallasvuo
Chairperson of the Board

Christian Cedercreutz

Outi Henriksson

Pekka Hurtola

Anne Larilahti

Juha A. Pantzar

Hanna Sievinen

Olli Sarekoski
President and CEO

Auditor's note

A report on the audit has been issued today.

Helsinki, 11 Ferbuary 2021

KPMG Oy Ab

Lasse Holopainen, Authorised Public Accountant

VEIKKAUS

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