2021

Annual and Sustainability Report

VEIKKAUS

18+

Contents

Veikkaus in 2021

01

Veikkaus in brief

We are a Finnish gambling company entirely owned by the Finnish State. We were founded in 2017, as the former three Finnish gambling operators Fintoto, Finland's Slot Machine Association RAY, and the former Veikkaus merged into a single company. We hold the exclusive right to operate gambling games in mainland Finland, with our versatile selection including Lotto and other lotteries, slot machines and other casino games, betting and toto games, as well as instant tickets.

Our mission is to create joy through games. We offer joy and interesting games, but not at any cost. We want to make sure that the joy of gaming is preserved, and that gaming is kept as a form of entertainment in which people engage in a moderate way.

According to the Lotteries Act, Veikkaus' duty is to provide games in a way which ensures the legal protection of those engaging in the games, working to prevent fraud and crime, and to prevent and mitigate the economic, social, and health-related harms induced by gambling.

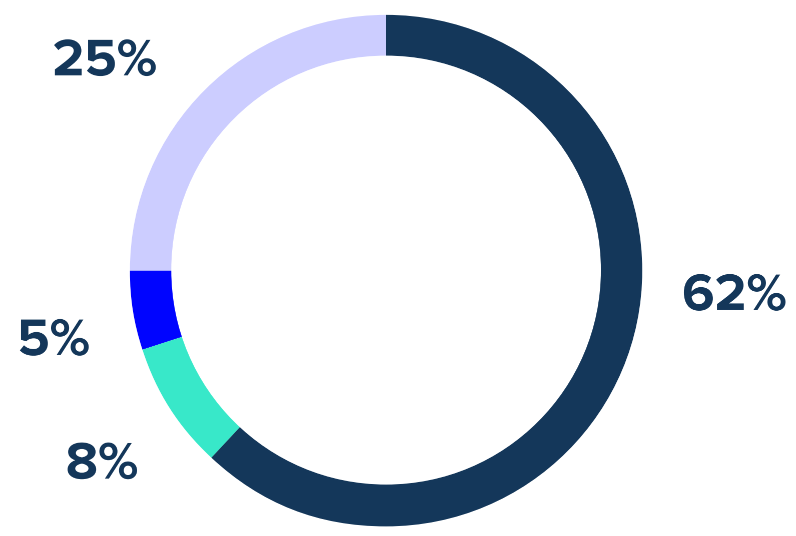
We are ca. 1,440 employees working at Veikkaus, at over a hundred different locations in Finland. Our games are sold at numerous points of sales, and they can also be played in our online service veikkaus.fi and via our mobile Veikkaus application.

Veikkaus' proceeds are used for the common good in its entirety. The allocation of the proceeds is decided by the Ministry of Social Affairs and Health, the Ministry of Education and Culture, and the Ministry of Agriculture and Forestry.

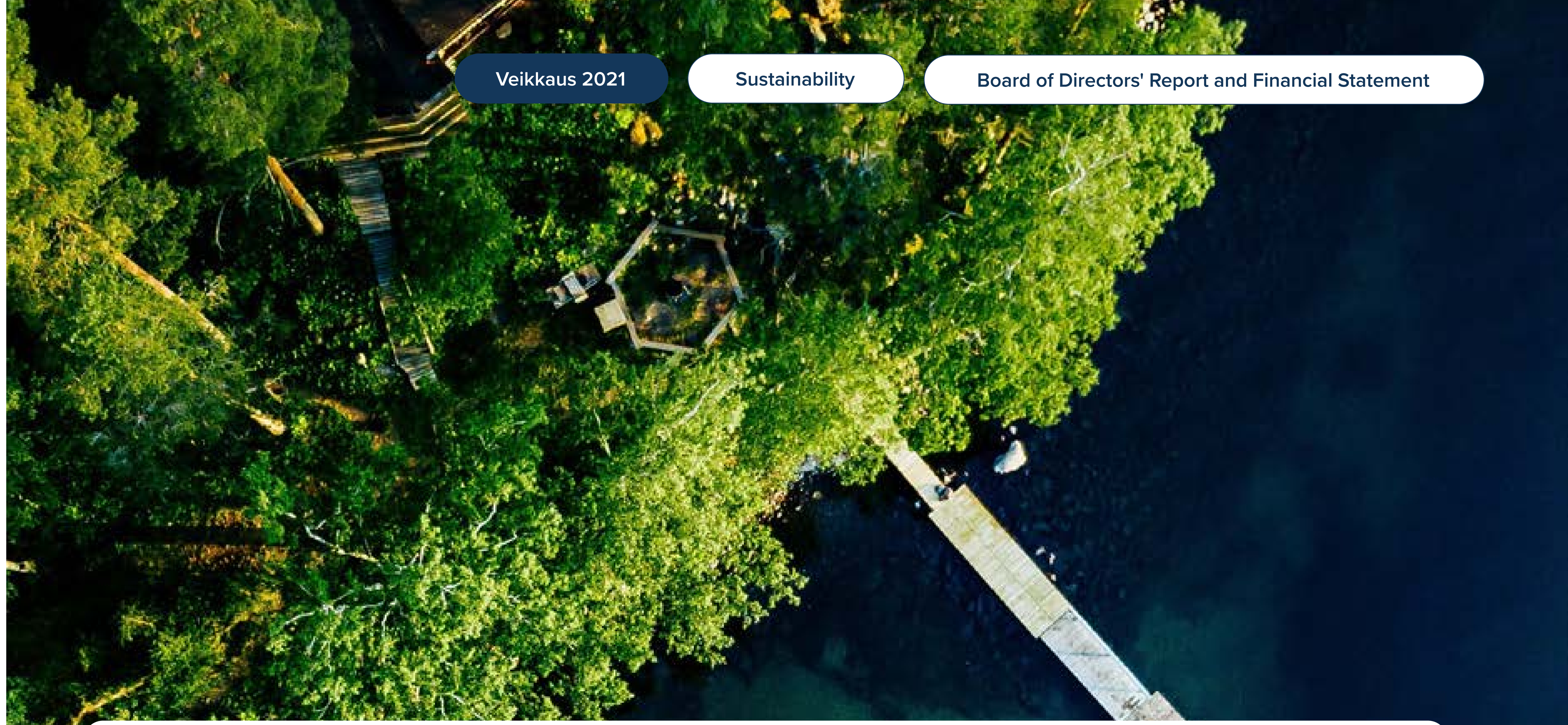
Revenue from gambling operations 2021

- Retail network EUR 535 million
- Digital channel EUR 565 million

Distribution of gambling revenue 2021



- To beneficiaries EUR 680 million
- Retail commissions EUR 83 million
- Lottery tax to the State EUR 60 million
- Operting costs EUR 276 million



Our games

Lucky Games	Casino Games	Betting Games
Weekly drawn lottery games Lotto, Eurojackpot, Vikinglotto, Jokeri, Lomatonni **Daily drawn lottery games** Keno, Kaikki tai ei mitään, Synttärit, Tähdenlento, eInstants, eBingo **Scratchcards**	**Slot machines** Slot machines in the retail partner network, Slot machines at Veikkaus' game arcades **Other casino games** Digital slot machine and table games, table games at Veikkaus' game arcades	**Betting games** Pitkäveto, Live Betting, Moniveto, Tulosveto, Voittajaveto games and Vakio (Football Pools) **Toto games** e.g. Toto75, Toto64, Toto65, Toto4, Kaksari (Quinella), Troikka (Trifecta)

Our sales channels

veikkaus.fi Veikkaus application	Feel Vegas archades*	Pelaamo arcades*	Casino Helsinki Casino Tampere (from 15th Dec 2021)	Points of sales in the retail partner network

* In 2022, the two game arcade concepts will merge into a single game arcade concept.

Significant actions in 2021

The year 2021 at Veikkaus was characterized by giant leaps, which we took on our sustainability journey – and by the persistent coronavirus epidemic. We worked to advance authentication in our games and introduced a variety of new tools for the self-control of gambling to our customers. Besides our work to promote responsible gambling, we also furthered other sustainability topics.

Promoting responsible gambling

- Compulsory authentication extended to decentralized slot machines
- The concept of game salesclerks' age limit control training overhauled
- Improving age limit controls at the points of sales
- Compulsory authentication extended to Pitkäveto (Fixed Odds Betting)
- Compulsory authentication and optional self-exclusion of gambling introduced to the slot machines and table games at the game arcades
- Compulsory authentication and optional self-exclusion of gambling introduced to the slot machines and table games at the casinos
- Compulsory loss limits introduced to the slot machines and table games
- Self-imposed loss limits to the slot machines and table games at the casinos
- Veikkaus' operations assured by an external body as compliant with the European Lotteries (EL) Responsible Gaming Standard
- Casino Tampere was opened and the new Know Your Game customer relations concept was introduced
- The international Gamgard model adopted for the ethical assessment of new games
- Veikkaus' operations assured by an external body as compliant with the Responsible Gambling Standard of the European Casino Association (ECA)

January | February | March | April | May | June | July | August | September | October | November | December

Improving our sustainability

- All Veikkaus' employees passed a training concept on responsibility, consisting of six different courses
- Veikkaus ranked third in the Responsible Employer survey in the category of companies with more than 1,000 employees
- The CO_2 emissions caused by Veikkaus' operations in 2020 calculated based on the GHG protocol
- Membership of the UN Global Compact initiative
- Veikkaus joined the Science Based Targets initiative (SBTi)
- Veikkaus Human Rights Impact Assessment (HRIA)
- Anonymous recruitments piloted

"Over the past few years, Veikkaus has mademajor investments in the promotion of responsible gambling."

A word from the President and CEO

For almost two years, we have been living in exceptional times due to the coronavirus pandemic. Like many other companies, Veikkaus has also had to accommodate and adjust its operations due to the pandemic. In 2021, Veikkaus slot machines were closed for a long time, and we had to lay off some of our staff members for certain periods. However, we also took many positive steps towards a better and more responsible future.

The gambling industry is undergoing a transition, and the operators are expected to make bigger efforts to improve the responsibility of gambling. Over the past few years, Veikkaus has made major investments in the promotion of responsible gambling. However, as a gambling operator, it is also our duty to provide high-quality games that the players find interesting.

We took a historically big leap towards a safer gambling environment, when all the slot machines and table games of Veikkaus were made subject to compulsory authentication last year. Besides the slot machines, compulsory authentication was extended to our most popular betting game Pitkäveto in the summer. We are on our way to becoming a gambling company that only provides games subject to authentication. Authentication is required both in the digital and the retail channel. In 2022, compulsory authentication will be extended to cover ticket-based games, and in 2023, even scratchcards.

Compulsory authentication makes the self-control of gambling easier in many ways. As of September, the obligatory loss limits that had already been applied to online gambling were extended to the fast-paced games (excl. the games offered at the casinos and poker) at the points of sales. Players can also opt for a total self-exclusion of the games that are already covered by compulsory authentication. Besides the existing gambling limits, we will adopt an annual loss limit on all authenticated gambling this year. By the 15,000-euro limit, we wish to prevent the biggest expenditure on gambling games. Furthermore, compulsory authentication facilitates age limit controls and helps us to prevent crime, including money laundering.

Our major actions for sustainability have significant impacts on our business. It is estimated that all the sustainability measures we have taken reduce the profit from Veikkaus gambling operations by

500 million euros as compared with 2019. The share of slot machines of the gross gaming revenue still amounted to ca. 40 percent in 2019. In the coronavirus year 2021, ca. 13 percent of our gross gaming revenue came from slot machines, whereas it is estimated that their share will remain below 20 percent in 2022. Based on a survey carried out at the end of last year, the actions we took for sustainability seem to have reduced gambling problems. According to the survey, which Veikkaus commissioned from market research company Taloustutkimus, the prevalence of gambling problems had gone down to 1.8 percent, whereas it had been up to 2.6 percent a year before. It is likely that the restrictions due to the coronavirus epidemic have also caused the prevalence of the gambling problems to decline.

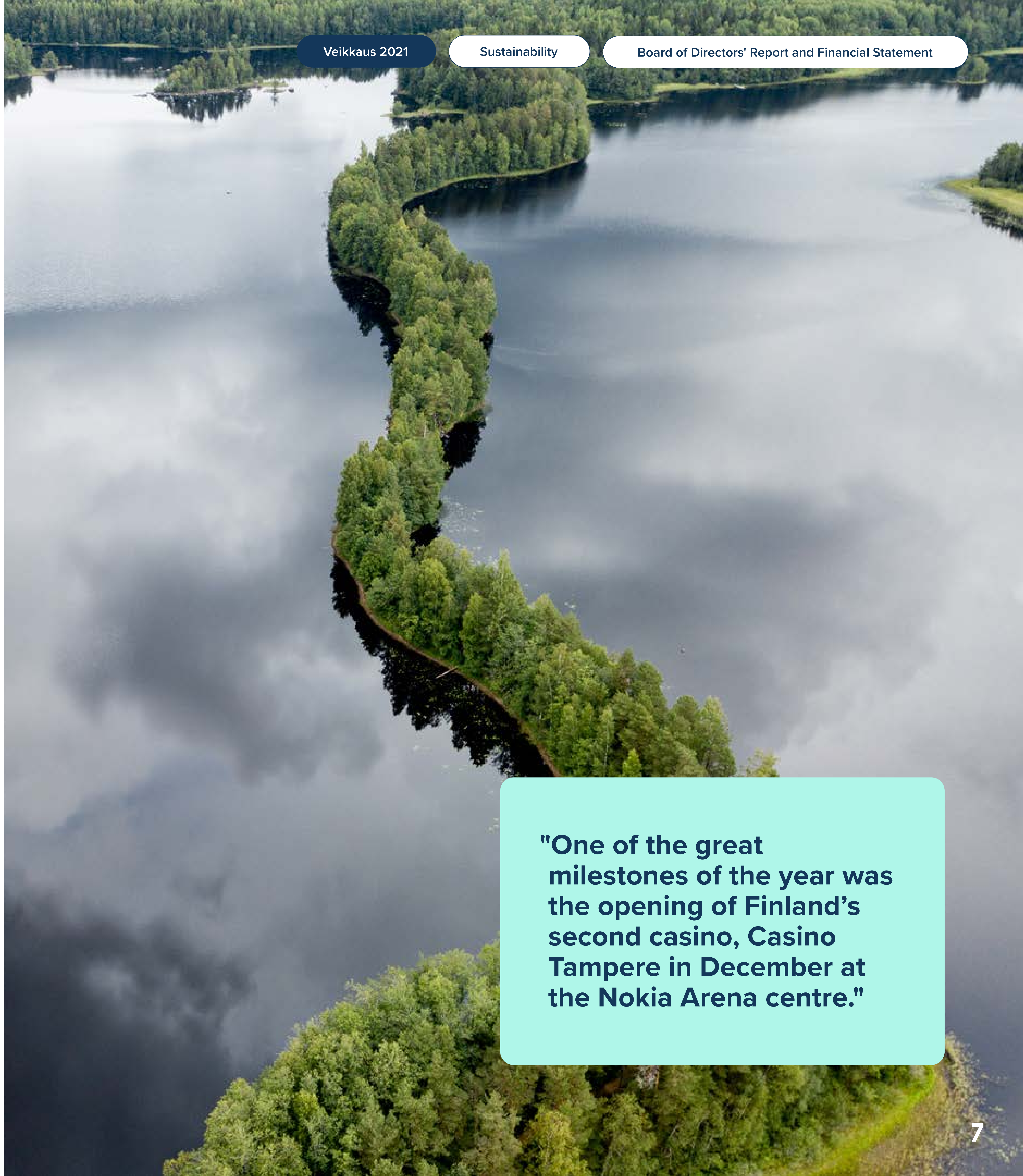
The changes in our operating environment and the drop in the profit from gambling operations, caused by, e.g., the actions for sustainability we have taken, have also affected our partners and staff. As a result of a round of cooperation negotiations held at the end of the year, we had to terminate 183 employment relations.

One of the great milestones of the year was the opening of Finland's second casino, Casino Tampere at the Nokia Arena centre in December. Both our casinos, Casino Helsinki and Casino Tampere, are trailblazers in the European casino world, when it comes to building a responsible gambling environment. Players authenticate themselves at the casinos with special Casino ID cards, which enable them to set personal limits on their gambling.

The new amended Lotteries Act entered into force on 1 January 2022. The new legislation includes many positive features, emphasizing responsibility in the gambling operations and the mitigation of gambling-induced harm. From our point of view, the key change in the new Lotteries Act was that it made it possible for us to launch new international B2B business at the beginning of 2022 through a subsidiary established on our owner's permission. I believe this will prove a remarkable opportunity for Veikkaus in the future, as we get to use our special expertise in gambling operations even in the international setting.

I wish to thank all members of Veikkaus' staff, our customers, and partners, for a year that was challenging, and yet successful in many ways.

Olli Sarekoski
President and CEO
Veikkaus Oy



"One of the great milestones of the year was the opening of Finland's second casino, Casino Tampere in December at the Nokia Arena centre."

Driving forces affecting our operations

Global trends and driving forces associated with our operating environment

- Digitalisation
- Cyber threats and protection of privacy
- Sustainability expectations for the business operations
- Individual personalised customer experience

Development of technology and its direction

- Mobile technology
- Data and artificial intelligence
- New payment methods
- New consumer technologies
- Cloud technology
- Authentication solutions

Significant changes related to the gambling industry

- Increasing regulation
- Responsible gambling measures
- Mergers, corporations, and partnerships
- Gambling and other gaming entertainment grow closer to each other

Changing operating environment

The gambling industry attracted a great deal of attention, criticism, and debate in Europe, as well as the US and elsewhere in the world in 2021. As digital gambling has increased significantly, many countries have introduced regulatory changes, and there has been growing demand for changes in the operations of gambling companies. The public benefit of the whole gambling industry has been questioned in view of the side effects it causes, and lively debate involving various perspectives continues.

The gambling operations are affected by several constantly evolving driving forces. We aim to follow and anticipate actively any changes affecting our business in our operating environment. Our goal is to consider the expectations of our customers, our other stakeholders, and those of society as widely as possible and to respond to the challenges and opportunities of our constantly evolving operating environment.

Lotteries Act reform

At the end of January 2020, the Ministry of the Interior launched a project to amend the Lotteries Act in compliance with the Government Programme. The working group set up for the project released its proposal at the end of November 2020, and it was sent out on a consultation round in January–February 2021. The government bill to amend the Lotteries Act was notified to the European Commission on 23 April 2021, with no comment from the Commission. Subsequently, in September 2021, the government bill to amend the Lotteries Act and the related regulations was submitted to the Finnish Parliament in September 2021. The bill was passed on 14 December 2021, and it entered into force on 1 January 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 gambling towards legal, responsible, and supervised game offerings.

What does channelling capacity mean?

In the lottery legislation, channelling refers primarily to the directing of demand for games from offerings not part of the monopoly system towards the offerings of Veikkaus Oy, which are regulated and supervised in compliance with the Lotteries Act.

In practice, channelling capacity can be measured in terms of our share of the market, i.e., how legal game provision develops in relation to illegal provision.

Responsibility at the core of strategy

Our values reflect the way we work and operate. We aim at making them visible in the work of every single member of Veikkaus' staff and in all our contacts with the customers.

Our strategy is based on four programmes:

1. Responsibility

We work for a safer and more responsible gambling environment.
Our objective is zero tolerance for problematic gambling.

We strive to be a trailblazer and forerunner in the development of responsible and sustainable business development. We will make sure that all our games will be subject to authentication by the end of 2023. We will create a concept of responsible and safe gambling and we will advise our customers to take up a moderate way of gambling.

We provide games in a way that ensures the legal protection of those engaging in gambling, the prevention of abuse and crime, and the prevention and reduction of any economic, social, and health-related problems. Our objective is zero tolerance for problematic gambling. Read more: Responsible towards the players, starting from p. 21.

In 2021 we took historical leaps towards building a more responsible gambling environment, as compulsory authentication was introduced to the slot machines of the retail network and Veikkaus' game arcades, the table games at the game arcades, as well as to fixed odds betting at the points of sales. This meant that the obligatory daily and monthly loss limits that had already been applied to gambling via the digital channel were extended to cover even the fast-paces games at the points of sales.

2. Channelling capacity

We develop our offerings and customer experience to succeed in competition.
Our objective is to provide a caring, delightful, smooth, and personal customer experience.

We work in a customer-oriented way, providing games and services in a manner that interests our customers, based on data and analytics. We know our customers and delight them through smooth and individual encounters. We focus on the continuous enhancement of the customer experience. Our objective is to provide a caring, delightful, smooth, and personal customer experience.

Whilst revising our selection of games and game features, we work to improve our channelling capacity.

Strategic priorities

Our mission is to create joy through games

1. Responsibility
2. Channelling capacity
3. New business
4. Best place to work in the gaming industry

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

Our values

Responsibility	We	Courage	Wow
We care for people	We succeed together	We achieve results	We surprise with experiences

Over **1,800,000** players played authenticated in 2021.

We invest in the development of the world's best Veikkaus application, offering our customers new digital services that enhance the player experience. We live up to our acceptable and sustainable brand image.

In 2021 we released a large variety of new digital games, with games produced in our own game studio playing a central role of the selection. During the year, we also developed the customer experience of the online service and the application, introducing several different reforms: for example, the lottery game website was overhauled totally, the eInstant site was revised, we continued to improve the betting concept and initiated the reform of the Toto site. We also revised the front page and navigation of veikkaus.fi. Moreover, we enhanced the usability and visuals of our website and application. In the Veikkaus app, we overhauled the online casino section and improved accessibility in many ways.

3. New business

We invest in the creation of new B2B operations.
Our goal is to turn our subsidiary into a leading partner of digital change on the global B2B gambling service and game development market.

We are a partner in digital change to national licensed gambling companies, providing them with a unique customer experience. With our know-how and the technologies we master, we combine games and services into local services for our corporate customers. Our goal is to turn our subsidiary into a leading partner of digital change on the global B2B gambling service and game development market.

The preparations for the B2B operations proceeded in 2021 according to the licenses granted by the Prime Minister's Office. During the preparations, we focused especially on a detailed planning of the corporate and business operations and developing the capabilities of the very first game services to be provided. With the partnership company LEIA (Lotteries Entertainment Innovation Alliance AS), we worked on technological integration.

4. Building together the world's best place to work in the gaming industry

Our objective is to be an agile and efficient company where people enjoy working.

We work together to make our operations smoother and more successful to serve our customers better. We work in a cost-effective way, promoting sustainable business. We revise our management practices and deepen coaching management. We increase our know-how together and enhance internal mobility and cooperation. We care for each other and for each other's wellbeing. We work to build a positive employer image. Read more: Responsible for Veikkaus' employees, starting from p. 39.

We updated our strategy at the beginning of 2020. Our strategy aims at building change towards an even more responsible, capable, skilled, and cost-effective organization. In 2020, we updated our CSR Programme and the indicators for following the implementation of the strategy to comply with our strategy.

Strategic indicators 2021

Objective	Indicator	2021 outcome	Long-term objective
Veikkaus' special assignment	Veikkaus prevents the occurrence of gambling problems through its operations (Telebus) [1]	Telebus: 40.25 (objective 40.00). The public view of Veikkaus' role in the prevention of gambling problems developed extremely favourably.	>50.0
Channelling capacity	Market share in the digital channel (%) [2]	Market share: Veikkaus' share of the digital market dropped to 59% (objective 64.7%), as offshore-gambling increased.	>60.0
Excellent customer experience	Customer experience (CSAT) [3]	CSAT: Customer experience remains at a good level. An average for the whole year in the CSAT customer base survey was 81.0 and the result for Q4 was 79.7 (Q4 objective 83.5).	>83.5
Strong brand	Brand reputation (index) [4]	Brand reputation: Brand reputation improved over the previous year to 3.37 (objective 3.65)	>3.60
New business	Permission for new business obtained and first project underway.	New business: The new Lotteries Act, which the permission is based on, was approved by Parliament in December 2021. Permission received from the Prime Minister's Office in January 2022.	Yes
Best place to work in the gaming industry	Personnel satisfaction (Pulse survey)	Personnel satisfaction: Pulse survey 2.82 (objective 3.10)	>3.10
Efficient operations	Efficiency: expenses/gross gaming revenue (%)	Efficiency: expenses/gross gaming revenue 32.4% (objective 31.0%)	<30.0

- Responsibility
- Channelling capacity
- New business
- Building together the best place to work in the gaming industry

[1] Percentage of respondents who agree "totally" or "somewhat" of all respondents, annual average in surveys
[2] Veikkaus' digital gross gaming revenue, for the other companies, estimate by H2 Gambling Capital
[3] Customer base survey, result Q4/2021
[4] Reputation&Trust survey (population-level survey), result annual average

Strategic indicators as a basis for variable remuneration.

"Our strategy creates change towards an even more sustainable, capable, and cost-effective organization."

This is how we create value

Our value creation model recognizes and describes the type of value that we provide to our customers and society through strategy and sustainability work in view of the social, economic, and environmental aspects.

Resources and capital

Customers
Loyal Customers **2.2** million
70% of Finns play Veikkaus games

Human resources and knowhow
Members of Veikkaus's staff **1,441**
Game development and technological knowhow
Customer focus, data and analytics

Games and systems
Game and service concepts
Game systems and infra

Brand and trust capital
Strong Veikkaus brand, valued game brands
Trademarks **317** pcs
Stakeholder cooperation

Financial capital and investments
Balance sheet EUR **1,003** million
Investments EUR **34** million

Energy
Electricity **12,326** MWh
Heat **8,944** MWh
Transportation fuels **135,996** l

Veikkaus' mission

is to provide games in a way that ensures the legal protection of those engaging in gambling, the prevention of abuse and crime, and the prevention and reduction of any economic, social, and health-related problems.

Strategy

Responsibility – We work for a safer and more responsible gambling environment

Channelling capacity – We develop our offerings and customer experience to succeed in competition

New business – We invest in the creation of new B2B operations

Best place to work in the gaming industry

Trailblazer of a responsible player experience

Responsibility	**We**	**Courage**	**Wow**
We care for people	Succeed together	We achieve results	We surprise with experiences

Sales channels

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

Digital channel **1.6** million different visitors/year

Retail network **5,212** points of sales

Veikkaus arcades **86** pcs

Games

Lucky games | Casino games | Betting games

Impacts

We create joy through games
Customers playing authenticated **1.8** million
Customer satisfaction CSAT (annual average) **81**

Gambling-induced harm and legal protection
Authenticated gambling **76**%
Prevalence of gambling problems in population **1.8**%
Prevalence of gambling problems in personnel **2.25**%
Strong consumer protection
Prevention of crime and fraud
Share of total market **74**%

Personnel
Personnel satisfaction (Pulse survey) **2.82**
Direct employment impacts **1,228** (person years of employment)

Stakeholders
Financing of Gambling helpline Peluuri EUR **950,000**
Financing of research into gambling-induced harm EUR **2.4** million
Sponsorsip EUR **4.8** million

Economic impacts
Funds to beneficiaries EUR **680** million
Lottery tax EUR **60** million
Salaries and compensations EUR **91** million
Retail commissions and other provisions EUR **83** million
Purchases from suppliers of goods and services EUR **124** million
Indirect employment impacts

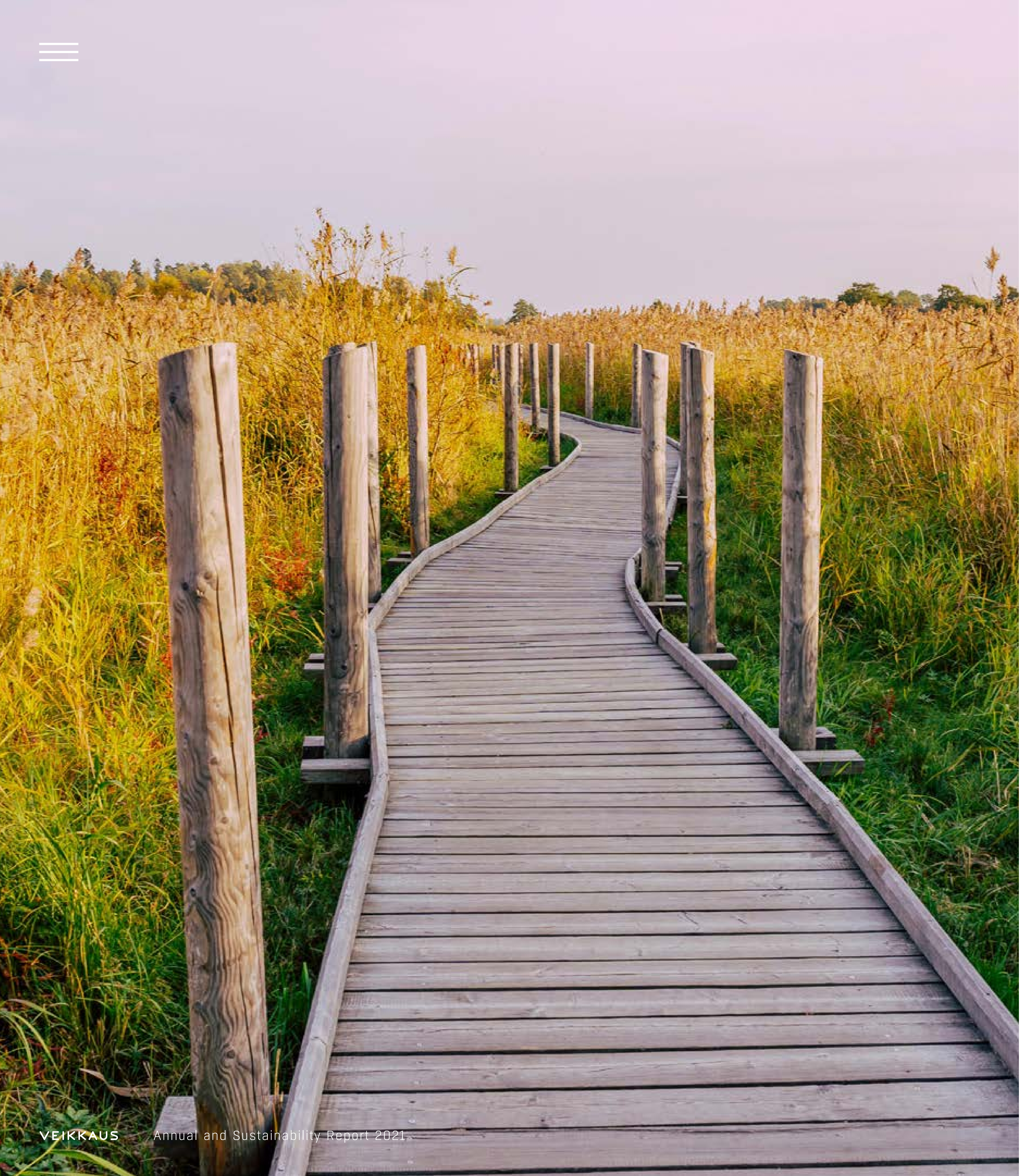
Environmental impacts
CO_2 emissions from Veikkaus' operations CO_2 (Scope 1 and 2) **2,795** t

Operating environment and trends:

Monopoly system | Supervision and regulation | Gambling industry changes and development | Changes in customer behaviour | Digitalization | Responsibility

Sustainability

02



Moving forward on our sustainability journey

Promoting the topics of sustainability and responsible gambling play a major role in our company. Our Executive Team, Board of Directors, and Ethical Advisory Board discuss responsibility regularly in their meetings. Veikkaus' Sustainability Programme, approved by the Board of Directors, will provide guidelines for our work until 2025. We report annually on the goals and key indicators, and how they have been reached in this report.

Sustainability management

The goal of Veikkaus' strategy is to provide an even safer and more responsible gaming environment for 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' sustainability management prioritizes responsibility towards the players. We wish to offer them a way and place to play our games, which are responsible and reflect genuine care for the players.

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

Veikkaus' Board of Directors and Supervisory Board discuss sustainability topics regularly in their meetings. The Board of Directors' Audit and Sustainability Committee is responsible for preparing and following the topics related to sustainability. The Supervisory Board issues annually a report on the development of Veikkaus' gambling operations and the prevention of gambling-induced harm to the Prime Minister's Office in the General meeting. The report is published on Veikkaus' website.

The Ethical Advisory Board, appointed by Veikkaus' Board of Directors, 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 gambling to the company's Board of Directors and the operative management. The Ethical Advisory Board focuses on questions associated with the ethics of marketing, gambling-induced harm, and issues associated with the social impacts of gambling.

Ethical Advisory Board 2019–2021

- Chairperson **Saija Kivinen** VP, General Counsel, 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**, Postdoctoral Researcher, University of Tampere
- **Terhi-Anna Wilska**, Professor of Sociology, University of Jyväskylä
- **Jani Halme,** Creative Director, Toinen PHD

Sustainability Programme 2025

Responsible towards the players

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

Material topics

- Authenticated gambling
- Advanced tools for the self-control of gambling
- Using data and research to prevent harm
- Number and location of slot machines
- Protecting minors
- Responsible and competitive gambling products and services
- Responsible marketing communications

Responsible corporate citizen

- **Open and transparent operations**
- **Ethically sound operations**
- **Trailblazer of responsibility in the gambling industry**
- **Positive impact on society**

Material topics

- Inclusive stakeholder cooperation
- Ethical decision-making
- Responsible procurement Working for responsibility in the gaming industry
- Environmental responsibility and mitigating climate change
- Revenue to society

Responsible for Veikkaus' employees

- **Best place to work in the gaming industry**

Material topics

- Prevalence of gambling problems among personnel
- Wellbeing at work
- Skills development and management
- A culture that fosters responsibility and caring
- Equality and non-discrimination

Reliability and compliance

Secure monetary transactions and reliable games, data protection and information security, prevention of crime and fraud

Open communications and reporting

In the year under review, we committed to the UN Global Compact, the widest network of corporate sustainability in the world. The UN Global Compact is part of a larger international UN community with a special mission to take steps to support UN goals, statements, and agreements in the corporate sector. We joined the initiative, as we want to support the ten principles of corporate sustainability of the UN.

WE SUPPORT UN GLOBAL COMPACT

The Sustainability Programme

In the reporting period, we updated the indicators of the material topics of our Sustainability Programme. We also set goals for each topic for 2022, as well as long-term goals until the year 2025. As some of the material sustainability topics are still in the early stages of development and as it is difficult to measure the exact impacts of, e.g., our actions, we will be supplementing the key indicators in 2022.

We also specified the links of the topics to the UN Sustainable Development Goals (SDG). There are a total of 17 Sustainable Development Goals, of which the most important to us are: good health and wellbeing, gender equality, decent work and economic growth, climate action, peace and justice, strong institutions, and partnership for the goals.

Key indicators of the Sustainability Programme: Responsible towards the players

Long-term commitments: **We prevent gambling problems and provide a responsible player experience** **We offer a safe gambling environment and sell games to adults only** **Our games are reliable**

Priority	Material topic	Key indicator	Goal 2021	Outcome 2021	Status 2021*	Goal 2022	Outcome 2025	UN Sustainable development goals
Responsible towards the players	Authentication	Share of authenticated gambling (%)	75%	76%		90%	100% (2023)	
	Advanced gambling control tools	The status of the concept of gambling control	Progressing according to plan	Progressing according to plan		Progressing according to plan	Planned concept ready (2023)	
	Using data and research to prevent harm	To be defined in 2022	-	-		Indicator defined	-	
	Number and location of slot machines	Number of slot machines in the retail network 31 Dec	<10,500	9,800		<10,500	<10,500	
		Partners' commitment to the principles concerning location and accessibility at the points of sales (%)	100%	100%		100%	100%	
	Protecting minors (cf. stopping underage game purchases)	Results of test purchases (reference age limit): [1] 1) retail sales	70%	64%		80%	100%	
		2) Veikkaus game arcades	100%	97%		100%	100%	
	Responsible and competitive games and services; selection of betting markets and product information	Products having passed responsibility assessment (%) [2]	100%	100%		100%	100%	
		Customer experience CSAT [3]	80.5-83.5	81.0		-	>83.5	
	Responsible marketing communications	All concepts of marketing communications go through responsibility assessment (y/n) [4]	Yes	Yes		Yes	Yes	
		Marketing specialists and partners continuously trained to internalize the guidelines and instructions (y/n)	Yes	Yes		Yes	Yes	

[1] Based on data and a report by an external service provider
[2] Based on game presentations with the National Police Board and on an assessment tool
[3] Veikkaus' customer base survey
[4] Meetings for discussing marketing with the National Police Board, Marketing assessment group (Veikkaus), Marketing content approval group (Veikkaus)

- Progressing according to plan
- Progressing more slowly than planned
- Major challenges

Key indicators of the Sustainability Programme: Responsible corporate citizen

Long-term commitments: ✓ **Open and transparent operations** ✓ **Ethically sound operations** ✓ **Trailblazer of responsibility in the gambling industry** ✓ **Positive impact on society**

Priority	Material topic	Key indicator	Goal 2021	Outcome 2021	Status 2021*	Goal 2022	Outcome 2025	UN Sustainable development goals
Responsible corporate citizen	Inclusive stakeholder cooperation	Outcome of stakeholder survey (started in 2022)	Indicator defined	Yes	🟢	Start level measured	-	16, 17
	Ethical decision-making	Employee performance: online course on the Ethical principles (%)	100%	100%	🟢	100%	100%	16
		Reputation& Trust survey: governance (average) [5]	3.3	3.2	🟡	3.3	3.5	16
	Responsible procurement	Supplier partners' commitment to the Ethical Code of Conduct (%)	Indicator and goal defined	Yes	🟢	Start level measured	100%	16
	Working for responsibility in the gambling industry	Survey-based estimate of Veikkaus as a trailblazer of responsibility [6]	Measuring start level	46%	🟢	>50	>60	3, 17
	Environmental responsibility and mitigating climate change	CO_2e emissions (scope 1–3) [7] Scope 1–2 [8] Scope 3 [9]	Measuring start level	44,989 tCO2e 2,795 tCO2e 42,194 tCO2e	🟢	Building a carbon roadmap	In compliance with the SBTi commitment	13
	Proceeds to society	EUR million [10]	-	768.8		-	-	8, 16

[5] T-Media, Reputation&Trust survey
[6] Taloustutkimus market research company, Telebus/Omnibus
[7] Scope 2 calculated in a market-based manner
[8] Scope 2 calculated in a market-based manner. The calculation method has been changed; the emissions are calculated in more detail for district heat
[9] The calculation method has been changed; the emissions are calculated in more detail for business travel
[10] Proceeds to society, including lottery tax and VAT

🟢 Progressing according to plan
🟡 Progressing more slowly than planned
🔴 Major challenges

Key indicators of the Sustainability Programme: Responsible for Veikkaus' employees

Long-term commitments: **Best place to work in the gaming industry**

Priority	Material topic	Key indicator	Goal 2021	Outcome 2021	Status 2021*	Goal 2022	Outcome 2025	UN Sustainable development goals
Responsible for Veikkaus' employees	A workplace without gambling problems	Personnel worried about their gambling (%) [11]	decreasing	2.25		decreasing	decreasing	3
	Wellbeing at work	Sick leaves (%) of theoretical working hours	<3.1%	3.5%		<3.5%	<35%	3
	Skills development and management	Internal mobility (percentage of internal recruitments)	80%	73.4%		80%	share of internal recruit-ments increasing, %	3, 8
		Management index, coaching management [12] (biennial)	76.4 (2020)	Next survey 6/2022		78.5%	80.5 (v. 2024)	3, 5, 16
	A culture that fosters responsibility and caring	Employee performance: Best of the Gaming Industry online courses (%)	100%	100%		100%	100%	3
		Responsible Employer survey: Total CSR index [13]	Measuring start level	3.77		3.8	>3.9	3, 5, 8
	Equality and non-discrimination	Responsible Employer survey: 4 questions on equality (average) [14]	Measuring start level	3.46		3.5	>3.6	5

[11] Pulse survey
[12] 360 survey
[13] Responsible Employer survey by Oikotie company
[14] Responsible Employer survey by Oikotie company

- Progressing according to plan
- Progressing more slowly than planned
- Major challenges

Developing sustainability

Our current Sustainability Programme was launched in 2020, and in 2021, we took major steps to develop it further. In 2022, we will continue to build our advanced concept of gambling control according to plan. We will introduce authentication to ticket-based games, launch a model predicting players' risky behaviour, together with relevant intervention measures; we will report on player data on our website to an increasing degree and supply the games with more information on risks and products.

We will also take determined steps forward in environmental responsibility and the fight against climate change. We will construct a roadmap to zero emissions and will prepare for EU Corporate Sustainability Reporting Directive requirements. Our work for responsible procurement will continue, and we will enhance our processes to ensure especially that our suppliers are committed to acting in compliance with the ethical guidelines. Furthermore, we will continue to work for human rights based on the human rights impact assessment conducted at the end of 2021.

We will develop our operating models related to data protection, information security, and crime and fraud. The Act on Detecting and Preventing Money Laundering and Terrorist Financing (444/207) will be amended in 2022, and that will have implications for our operations. We will develop further our operating models for customer due diligence and the prevention of money laundering. We will also release a reporting channel in compliance with the upcoming EU directive on whistleblowing and updated ethical guidelines for our personnel.

> **"We want to take major steps to enhance sustainability, along with our efforts to develop responsible gambling."**

Responsible towards the players

One of the three priorities of our Sustainability Programme is “Responsible towards the players”. It means that we want to foreground our role in the provision of games that have passed the responsibility assessment, in a gambling environment that is even safer than before. To play, our customers need to authenticate themselves in more games than previously. We want to make available both compulsory and voluntary tools for the self-control of gambling, i.e., game restrictions and exclusions.

The gambling sector involves negative social and economic impacts that are largely associated with gambling-induced harm. Therefore, the priority “responsible towards the players” is in focus when considering sustainability risks. It would be a serious risk if we failed our special mission, i.e., the prevention and reduction of gambling-induced harm. A related risk would be a failure in age limit controls.

The most important mechanisms in place for managing these risks are described in this section under the sustainability measures part of the “responsible towards the players” priority.

Aiming at full authentication

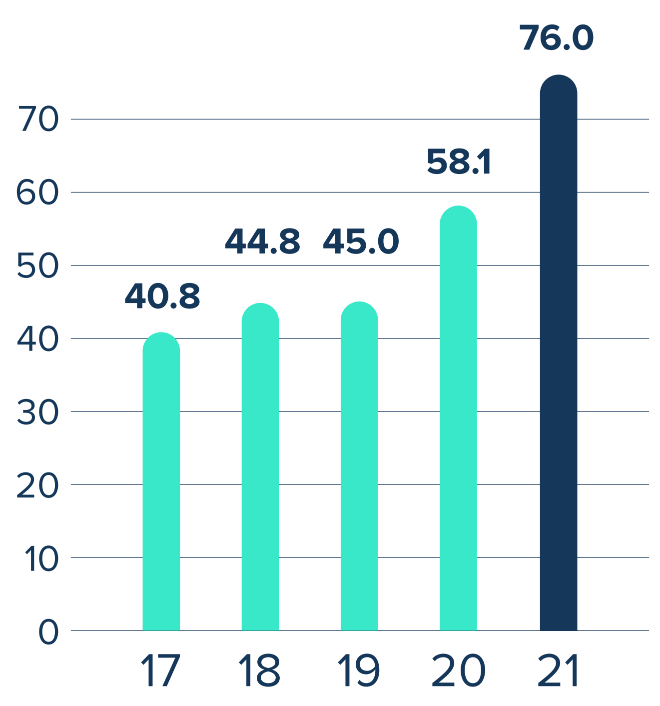
Authenticated gambling enables our customers to use tools for the self-management of gambling and keep track of how they gamble. We took a significant step forward in raising the degree of authentication, as we introduced comprehensive authentication to all slot machines and table games in 2021.

Compulsory authentication entered into force on the slot machines of the retail network in January, in Casino Helsinki in June, and in slots and table gambling at our game arcades in July. The slots and table games of Casino Tampere, which was opened in December, have been subject to compulsory authentication from the very beginning.

Our goal is to require our customers to authenticate themselves in all our games by the end of 2023. We are currently building our technological capabilities towards full authentication. Compulsory authentication not only facilitates gambling control but also provides us with better chances of preventing crime and fraud.

The degree of authenticated gambling of our total gross gaming revenue was 76 percent in 2021. That meant an increase of 17.9 percentage points over the previous year. The increase can be explained especially by the compulsory authentication adopted in slots gambling.

Share of authenticated gambling of the gross gaming revenue 2017–2021 (%)



Building an advanced concept of gambling control

Keeping gaming on the joyful side		Situation 2021	Upcoming by theend of 2023
I can only play as an adult and authenticated	Customer authentication	Verifying players' identity and age on registration Compulsory authentication in the online service, the application, in Pitkäveto, on slot machines and in table games	Compulsory authentication to ticket-based games and instant scratchcards All gambling subject to authentication
I can manage and keep track of my gambling	Gambling history	Versatile gambling history report for a period of 3 years Time reminder reminds about the time spent on gambling every 60 minutes in the online service and the application Time reminder reminds about the time spent on gambling every 15 minutes on slot machines	
I must set loss limits on my playing of fast-paced games I can only lose the amount specified in the rules of play	Gambling restrictions	Compulsory self-imposed loss limits on fast-paced games Compulsory money transfer limits in the online service and the application No money transfers at night	Maximum loss limits per calendar year, covering all Veikkaus games (excl. the casinos)
I can set self-imposed bans on my gambling	Gambling bans	In the online service and the application, gambling ban for a fixed period (game-specific, game group-specific, or all gambling) In the online service and the application, gambling ban until further notice In slots gambling, gambling ban for a fixed period/ until further notice In table games or poker, gambling ban for a fixed period The Panic Button to stop gambling online, via the application, and on slot machines manufactured by Veikkaus until the end of the following day	Self-bans for fixed periods concerning ticket-based games Self-bans for fixed periods concerning instant scratchcards Self-bans for fixed periods/ until further notice concerning all gambling
I understand the games and my way of gambling; I make educated decisions whilst Veikkaus can react to any deviant gambling behaviour I display	Communications	Service messages on the self-control of gambling sent out to subscribers every month Referring customers to take the voluntary Game Test For those having opted for a self-ban, the opportunity of being contacted by Gambling helpline Peluuri For those having opted for a self-ban until further notice, a confirmation message repeating the details and offering advice on how to seek help Regular communications on responsible gambling to the customers Marketing never targeted at those having opted for a self-ban or to other recognized risk groups	Communications advising players to view their gambling history, e.g., whilst logging into the service Communications on the risk levels of the games Management models and contacts based on a model for the detection of risky gambling

Using data and research to prevent gambling-induced harm

We follow the development of gambling problem and gambling-induced harm through various surveys. That way we also gain feedback on how the newly introduced tools for the self-control of gambling affect the prevention of the harm and the development of the problems.

The Telebus survey by research company Taloustutkimus includes a pulse question “I have had problems controlling my gambling in the past year”. In 2021, 1.7 percent of the respondents agreed totally or somewhat with the statement (the respective share was 2.3% in the year before). The question was answered by 4,000 respondents in the year under review.

The following questions in the same survey concern especially slots gambling: “I play slots to a problematic degree" and "someone else in the same household plays slots to a problematic degree" The outcome for these questions was one of the lowest in the history of the survey (from 1995), remaining at 1.1% (the respective rate for the previous year was 1.6%).

The extensive population survey of 5,000 respondents, concerning gambling problems was only carried out once in 2021 due to the exceptional situation caused by the coronavirus pandemic. The outcome of the survey, which was made at the end of the year, was also the lowest ever since the surveys were started in 2017. Based on the survey, 1.8 percent of the respondents were categorized as problematic gamblers. In proportion to the entire population, this would correspond to a total of 75,000 people. According to the survey, Veikkaus was the biggest cause behind the problems: up to 31 percent mentioned only Veikkaus as a game provider that caused them problems. Fast-paced online games surpassed traditional physical slots games as a cause for problems for the first time during the survey history.

"Based on the survey, 1.8 percent of the population had gambling problems."

In 2021, we created a model for predicting the degree of harmfulness of gambling and an action model for curbing risky behaviour. The model for predicting the degree of harmfulness of gambling could only be adopted after the new Lotteries Act had entered into force at the beginning of 2022. We will be reporting on the model and the related action during 2022 and in our next annual report.

Number and location of slot machines

Reducing the number of slot machines and updating the criteria for their location are among the key measures which we take to promote responsible gambling. Since the year 2019, we have removed over 40 percent of our slot machines, and our goal is a maximum of 10,500 located slot machines. At the end of 2021, there were fewer than 10,000 slot machines in the retail outlets. One retail outlet can have a maximum of four slot machines.

The point-of-sale criteria that cover retail sales are based on Veikkaus' leading market position and the requirement for equal treatment of the retailers. The location of the slot machines is guided by responsibility, non-discrimination, the principle of equality, customer flows, and business criteria. All the decisions concerning the location are made subject to careful consideration of the big picture, and we never locate slot machines on socio-economic grounds.

The location and accessibility of the slot machines are monitored as our maintenance staff visit the points of sales. We reviewed all the points of sales in 2021 and made improvements to enable better control at 70 points of sales. In all, our maintenance technicians made nearly 50,000 visits to the points of sales in 2021. In spring 2021, we limited the opening hours of the slot machines in both the retail network and at our own gaming arcades. Our goal was to protect people's health during the coronavirus epidemic.

"We reviewed all the points of sales in 2021 and made improvements to enable better control at 70 points of sales."

Principles concerning the location and accessibility of the slot machines in the retail network

Veikkaus complies with the following general principles in all its decisions concerning the location and accessibility of the slot machines in the retail network:

1. **We provide and** maintain extensive tools for gambling control to our slot machine network, with the objective of minimising gambling-induced economic, social, and health-related harm.
2. **We choose the** points of sales and slot machine locations with special consideration to minors and people that are otherwise especially vulnerable.
3. **We aim to** reduce the visibility of the slot machines and the slots games at the points of sales. We never use such effects at the points of sales that would increase the visibility of the slot machines and the slots games to customers.
4. **We limit accessibility** in order to enable people experiencing slot machines as problematic to do their necessary daily shopping without facing the option of playing slots.
5. **We make sure** that all the responsibility criteria concerning slots game provision are met in cooperation with our retail partners. Our retail partners have committed to this by way of a retailer agreement. We ensure compliance with the criteria through self-supervision.
6. **We make the** responsible provision of games an absolute priority. We react to any detected flaws without delay, and they are subject to predetermined sanctions.
7. **We comply with** all the effective laws concerning the location and accessibility of the slot machines. We comply with the principles and point-of-sales criteria in an equal and non-discriminatory manner with all our retail partners or those who wish to become our retail partners.

In order to assure the implementation of these location principles, Veikkaus has determined a set of binding point-of-sales criteria, including detailed requirements for the points of sales and their business, for the location of the slot machines at the points of sales, and for making the games accessible.

Major improvements to age limit controls

The age limit of gambling is 18, in addition to which we apply a reference age limit of 30 years. This means that the game salesclerks must check a customer's identity, if they look younger than 30.

The prevention of gambling by minors was improved significantly at the beginning of 2021, as compulsory authentication was introduced to the slot machines of the retail network. However, compulsory authentication does not lift the responsibility from the retailers to make sure that minors do not gamble, for example, by using an identity method of another person.

We enhanced the age limit control processes at both our own game arcades and at the points of sales during the year under review. We increased the number of test purchases, and they were retargeted to better correspond to the new situation with the compulsory authentication on slot machines, i.e., they targeted primarily the sales of products purchased at the checkout counters.

Veikkaus' own game arcades adopted a system of improved age limit controls in the spring. The campaign was successful, and during the test purchases made at the end of the year (3,200 pcs), the test purchasers were detected in 95 percent of the cases. The persons carrying out the test purchases are young adults who must be asked to prove their age according to our instructions. We carried out nearly 2,000 test purchases in retail sales during 2021, with game sales being refused to over 60 percent of the test purchasers.

The game salesclerks must pass responsibility training including instructions on age limit controls every year. New game salesclerks take the course during their basic training, whereas those having passed the course before must take it again every year. During the year under review, we revised the game salesclerks' responsibility training, with nearly 49,000 courses taken in 2021. At the end of 2021, we campaigned on the reference age limit under the theme "Your face doesn't show your age".

18+

Developing responsible and competitive gambling products and services

We develop gambling games paying attention both to our customers' expectations and ethical viewpoints. The idea is to know the motivation behind gambling and to make gambling take place within the predetermined limits. Whilst developing new game ideas and reforming our existing games, we always carry out an ethical assessment.

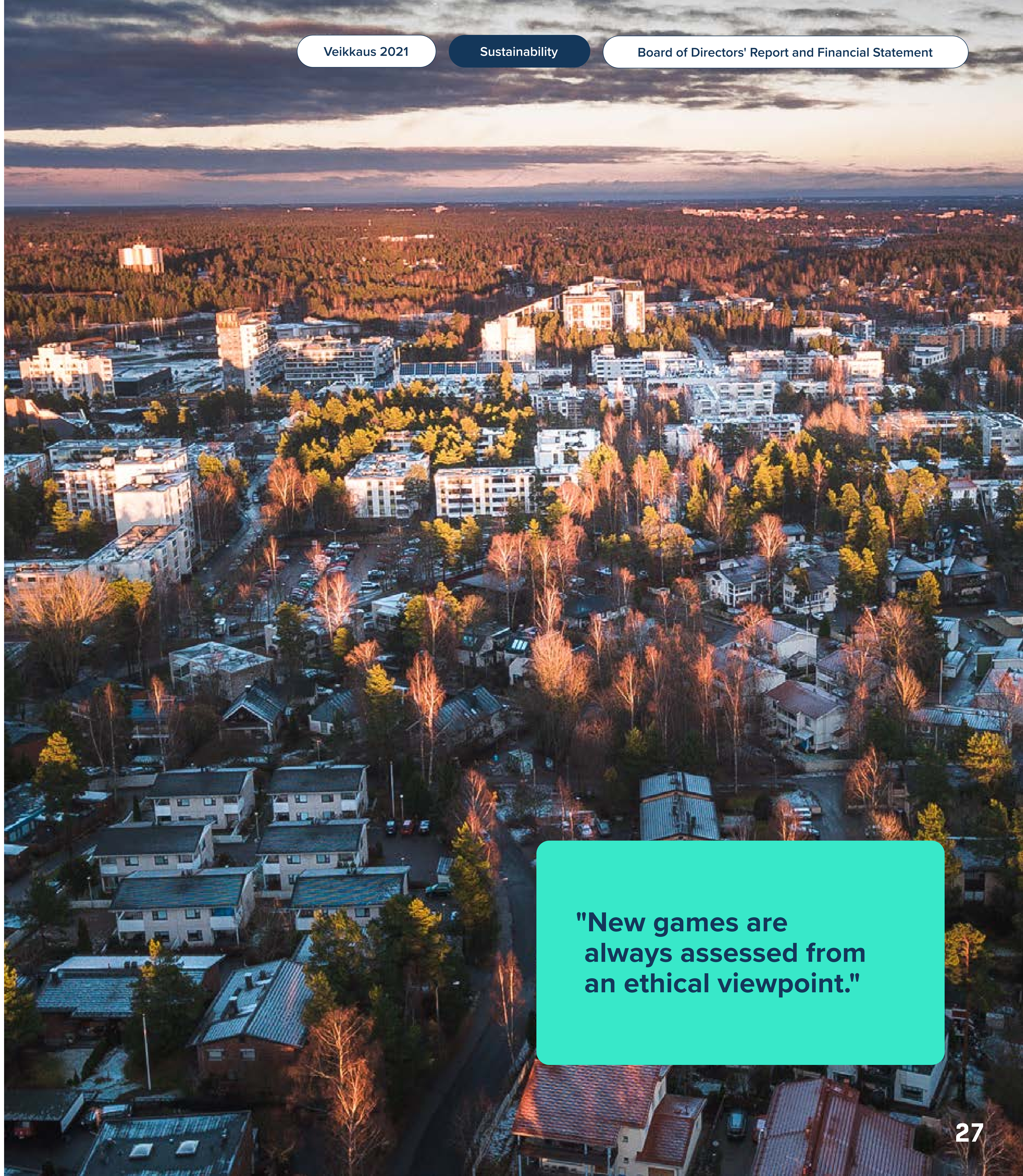
Towards the end of 2021, we adopted the Gamgard model, which is widely used around the world, and which replaced the previous Responsibility Evaluation Tool, developed cooperatively by the Finnish game operators in 2007.

The Gamgard model produces a responsibility profile for games, which we attach to the proposal for a change in the rules of play submitted to the authorities. Besides the ethical assessment, we always discuss the launch of a new game with the relevant regulatory authorities. The Ministry of Social Affairs and Health has also appointed a special independent assessment group, which issues statements on the harmful effects of gambling.

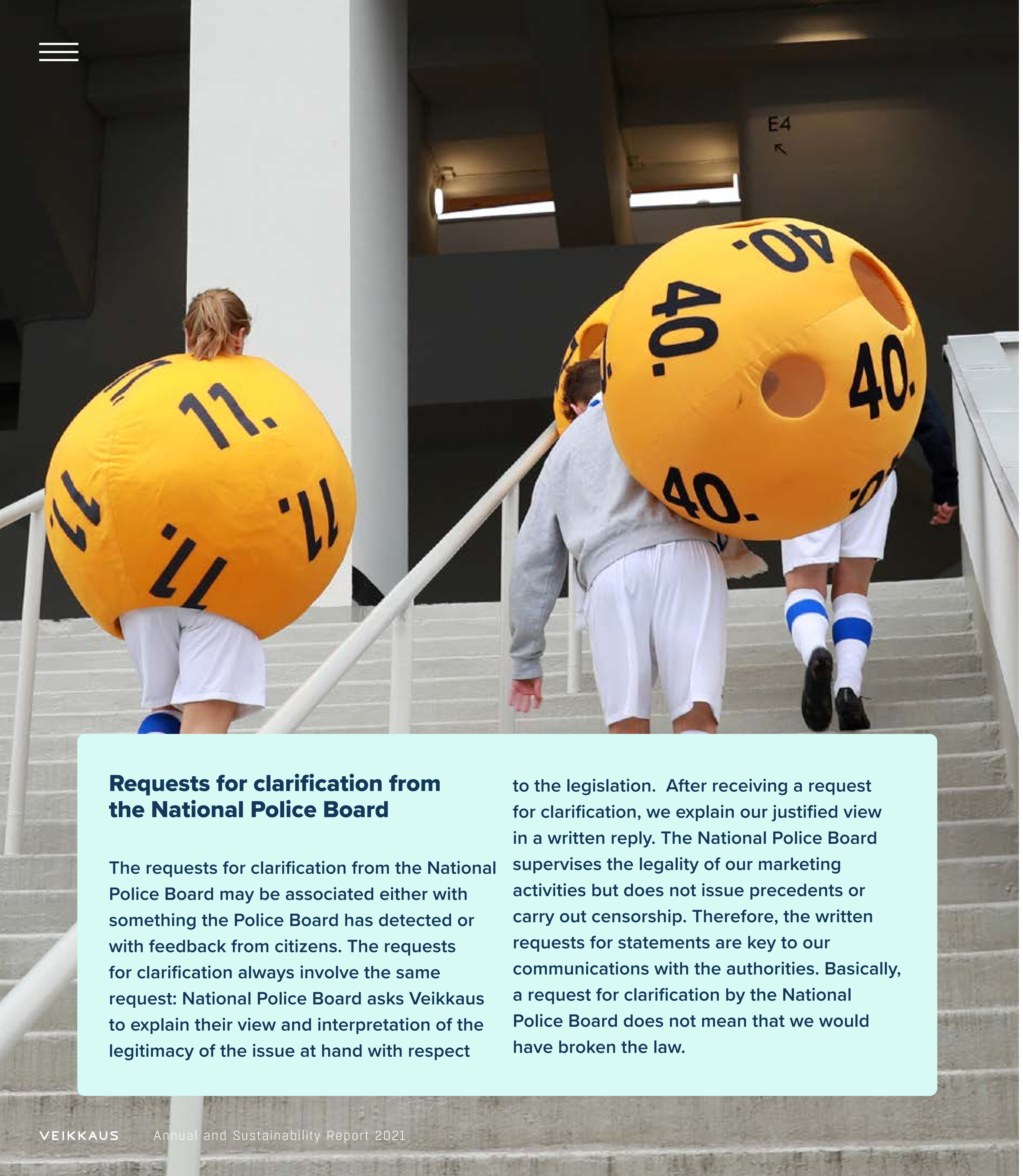
In autumn 2021 we prepared Ethical Guidelines for Game Development, which describe our aims and commitment and which support game development to ensure safe gaming. The Ethical Guidelines for Game Development are updated regularly.

During the year under review, we planned a risk categorization of the games and information on the harmful effects, describing the risks of addiction involved in the games. Our goal is to increase the customers' knowledge about the products and make them more aware of the differences in the risks the games involve. The planned measures should be introduced in early 2022.

We also took steps to increase people's product knowledge through customer communications. A key theme among the Pelaa maltilla (Play moderately) service messages is the beliefs people have about gambling games. Nearly 300,000 customers have subscribed to the service messages.



"New games are always assessed from an ethical viewpoint."



Responsible marketing communications

All our marketing communication concepts go through a responsibility assessment according to a predetermined process to ensure that the responsibility principles concerning marketing communications are complied with. The principles make sure that we market games and gaming in a sustainable and responsible way and bear our responsibility towards the players.

We do marketing to strengthen our brand and to promote authenticated and safer gambling. As regards the games that involve special risks, we only offer product and game object information. Gambling is for adults only, and we never target the marketing of games at minors. Our responsibility principles concerning marketing communications foreground an even safer and more responsible gambling environment, as laid down in our strategy.

Marketing training and supervision

To ensure responsible marketing communications, we require all those providing marketing content to pass a course on responsible marketing. The course is obligatory for anyone working with marketing and communications, both for our own employees and our partners. Further, our external partners, including representatives of retail sales, advertisement, communications, and media agencies must pass 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 and compliance with legislation of the concepts and their realizations. A special group in charge of the approval of marketing content checks the contents for the marketing messages they involve. Our marketing activities are also supervised by supervisory authorities, including the National Police Board.

In 2021 we received five requests for clarification from the National Police Board, which we responded to in writing. The requests for clarification did not lead to further measures, such as injunction or penalty fee; in other words, our responses and corrective actions were sufficient.

Our Ethical Advisory Board discusses questions associated with marketing ethics and gambling-induced harm regularly in their meetings. Veikkaus' Executive Team and Board of Directors handle regularly topics related to the responsibility of marketing.

"Training in responsible marketing is obligatory to anyone working with marketing."

Requests for clarification from the National Police Board

The requests for clarification from the National Police Board may be associated either with something the Police Board has detected or with feedback from citizens. The requests for clarification always involve the same request: National Police Board asks Veikkaus to explain their view and interpretation of the legitimacy of the issue at hand with respect to the legislation. After receiving a request for clarification, we explain our justified view in a written reply. The National Police Board supervises the legality of our marketing activities but does not issue precedents or carry out censorship. Therefore, the written requests for statements are key to our communications with the authorities. Basically, a request for clarification by the National Police Board does not mean that we would have broken the law.

Responsible corporate citizen

One of the three priorities of Veikkaus’ Sustainability Programme is that we aim to be a responsible corporate citizen. We are a company that operates responsibly and according to the principles of sustainable development, aiming to act in compliance with high ethical standards and to mitigate the environmental impacts of our operations.

Openness and active dialogue with our stakeholders are especially important to us. We want to be worth the trust our stakeholders have towards us.

The impacts involved in our actions as a responsible corporate citizen are materially linked to the way in which we build trust and to the general acceptability of our game provision. The potential sustainability risks in this area of priority would include a failure to build trust and successful dialogue with our stakeholders and a collapse in the acceptability of our operations.

The most important management mechanisms to control and reduce the afore-mentioned sustainability risks are described in this section, specified for each material topic.

Active and inclusive stakeholder cooperation

Open and inclusive cooperation with stakeholders is an essential part of Veikkaus' social impact. We want to listen to and understand our stakeholders' expectations, seek solutions, and develop our operations to respond to the expectations.

We want to communicate openly about our operations and constantly develop new forms and ways of active stakeholder interaction.

In 2021 we decided to launch a special stakeholder survey to find out about the opinions of our important stakeholders on how we could include them in the work to make our operations even better. The survey will be carried out in 2022.

Stakeholder	Ways and channels of interaction	Key topics and expectations	Year 2021
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 a priority, realized through a personal and personalized customer experience. Confidentiality of customer data and reliable payment transactions.	Customers guided towards a safer gambling environment, i.e., to take up authenticated instead of anonymous gambling. We informed our customers widely and regularly about our progress towards compulsory authentication, as well as on the new tools for the self-control of gambling. We carried out several customer surveys, targeted at our customer base and/or the whole population. We want to listen to the views of our customers and everyone living in Finland concerning our game supply and operations. We also keep track of the effectiveness of our actions, especially those taken to mitigate gambling-induced harm.
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 and webinars, 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 (30) at the points of sales; carrying out responsible game sales, monitoring of money laundering, and marketing at the points of sales.	Due to the coronavirus pandemic, we sent out continuous communications on the exceptional situation to the points of sales. We launched authentication on slot machines in January 2021; due to the coronavirus pandemic, it took effect during the spring and early summer in different parts of the country at different times. Authentication allows our customers to ban their slot machine gambling totally. In addition, we introduced loss limits on fast-paced games. Pitkäveto (Fixed Odds Betting) was the first ticket-based game to be made subject to compulsory authentication in June 2021. One of our objectives at the points of sales was enhancing age limit controls; our interim goal was to raise the percentage of detected test purchases to 80. In game salesclerks' training and communications, we bring up responsibility, age limit controls, and authenticated gambling on a regular basis.

Stakeholder	Ways and channels of interaction	Key topics and expectations	Year 2021
Personnel Veikkaus' personnel at the head office and the regional offices, a total of 1,441 employees (at the end of 2021)	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. During the year under review, we launched the personnel's own social media service, Veikbook, where everyone can talk and create content. Wide-ranging internal events with a strong focus on interaction. The members of the Communicators' Tribe act as inspirers on new topics. We carry out a personnel survey, wellbeing and Pulse surveys, and success review discussions. We encourage increasing dialogue between the supervisors and the employees. We have a special reporting channel for the employees, where everyone can report on any suspicions and observations confidentially, if they wish.	"Responsible for Veikkaus' employees" is one of the three priorities of the new CSR Programme. The Best place to work in the gaming industry programme, which will be effective until 2025, consists of six sections: coaching management, growth opportunities, productive working environment, health and wellbeing, meaningful work, mutual trust, and well-flowing work	In 2021, every member of Veikkaus' staff was required to take a responsibility training concept of six courses. We organized a training concept titled "Productive and flourishing work", focusing on topics of wellbeing, and targeted at the entire personnel. We piloted new low-threshold support services in cooperation with the occupational healthcare service. We launched a pilot of anonymous recruitment. All supervisors took a course on coaching management during the year. We launched two pilot programmes of internal mobility. We shared information to the personnel on topical themes of strategic importance as live broadcasts every month.
Beneficiaries Beneficiaries receiving support based on our proceeds (The decisions on the grants are made by the Ministry of Social Affairs and Health, the Ministry of Education and Culture, and the Ministry of Agriculture and Forestry)	Regular contacts, meetings, digital contact channels, and events.	General acceptance of Veikkaus' operations. Scope, continuity, and targeting of revenue. Cooperation over chosen themes.	We informed the beneficiaries actively about Veikkaus' sustainability journey, return to society, changes in our operating environment, and other themes and topical issues. The contacts took place primarily via remote connections due to the coronavirus pandemic.
Political decision-makers Finnish Parliament and Government, European Parliament and Commission	Regular meetings in Finland and at the EU level according to a separate influencing plan. Supervisory Board. Interim reports and sustainability reporting. Continuous dialogue.	General acceptance of Veikkaus' operations. Responding to changes in the operating environment and regulation.	In 2021, the contacts continued to take place primarily via remote connections due to the coronavirus pandemic. Following a policy decision by the Government, the second stage of the Lotteries Act reform was carried out.
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 gambling-induced risks and harms, 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 concept. Close dialogue concerning the preparation of legislation and supervisory practice (Ministry of the Interior National Police Board, State Supervisors). Regular contacts concerning responsible gambling 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-induced 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 gambling-induced harm.	According to the approved strategy, we continued to build Veikkaus' responsible gaming ecosystem in 2021 in close dialogue with the ownership steering and the Ministry of the Interior. The regulatory reforms needed for carrying out the sustainability measures are included in the second stage of the Lotteries Act amendment, which was approved at the end of the year. The sustainability measures reduce Veikkaus' GGR significantly. Veikkaus has regularly informed, e.g., the beneficiary ministries about the revenue prospects.

Stakeholder	Ways and channels of interaction	Key topics and expectations	Year 2021
Organizations working to prevent gambling-induced harm Finnish Gambling helpline Peluuri Sosped Foundation EHYT - Finnish Association for Substance Use Prevention	Meetings, exchange of information, regular dialogue. Reports and statistics.	Inclusive and open dialogue on the prevention of gambling-induced harm.	We inform people about Peluuri's services via our own communications channels. We discussed with the organizations the measures to be taken in order to better prevent gambling-induced harm among customers.
Partners IT and game supplier partners Advertising, media, production, and communication agencies Sponsorship partners Accredited auditor partners	Cooperation agreements and active cooperation Interaction, meetings, and continuous contacts.	We aim at long-term tendered contracts, and far-reaching, confidential cooperation. Innovative, responsible, and versatile game provision and gambling services. Open, reliable, long-term cooperation.	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. The audits showed that we still fulfil the requirements of the standards. We require that all representatives of advertising and media agencies working with Veikkaus' marketing communications pass the responsibility exam made by Veikkaus.
International organizations of the gambling industry World Lottery Association (WLA) European Lotteries (EL) European Casino Association (ECA) World Tote Association (WoTa) European Association for the Study of Gambling (EASG) Our colleague companies in the gambling industry	International seminars, conventions, and meetings. WLA Magazine, EL Magazine, EL News Briefing.	Active operations and participation in the development of responsible gambling, corporate social responsibility, and the gambling industry.	Veikkaus' operations were assured by an external body as compliant with the European Lotteries (EL) and the European Casino Association Responsible Gambling Standards at the end of 2021. Veikkaus' President and CEO was re-elected to the Executive Committee of European Lotteries (EL) for the following term of two years. Veikkaus has representatives in the following working groups of the EL: responsibility (chair), innovations and technology (chair), data and research, legal affairs and regulation, public affairs, and sports integrity. The General Manager of Casino Helsinki was elected to the board of the European Casino Association (ECA). We also have a representative in the ECA responsibility working group. We have a representative in WLA's Security and Risk Management Committee.
General public Everyone living in Finland	The traditional media, social media channels, communications, and marketing.	Openness and reliability of operations. Proceeds 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 and provide games responsibly to adults only. We carried out several surveys on gambling and responsibility, to find out about the views and opinions of the Finnish public.

Ethical decision making

Uniform ways of working affect the operating culture of the whole organization. By acting right, we live up to the trust our customers and other stakeholders have towards us. We took part in the Reputation&Trust survey where the respondents are asked, e.g., whether our company acts in an open and transparent manner and whether we do business in the right way. In 2021 we were rated as 3.2 (on a scale of 1 to 5).

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 also include our commitment to respect the Universal Declaration of Human Rights of the UN and the employees' rights in accordance with the ILO fundamental Convention.

The Ethical principles are binding on every Veikkaus' employee, and the related training, with the final test, is compulsory to all. The training covers the basic principles and offers advice on how to ask for further instructions from our compliance specialists, if necessary. We follow the degree of completing the training on the Ethical principles, with a hundred-percent completion rate as our annual target. In 2021 we reached the 100-percent target.

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.

At the end of 2021, we carried out an assessment of the human rights impacts of our actions and improved our commitment to the human rights, making it part of our Ethical principles and the ethical guidelines for our suppliers. We carried out the assessment according to the UN principles on companies and human rights, making use of an assessment tool provided by the Danish Institute for Human Rights (DIHR). For the assessment, we were assisted by an external consultant specialised in corporate human rights due diligence.

"All members of Veikkaus' staff took an online course on the Ethical principles."

"Our suppliers of goods and services are bound by an ethical Code of Conduct."

Responsible procurement

Responsible procurement is a material part of our CSR Programme. We comply with the Act on Public Procurement in all our procurement processes. Our tenders are carried out in compliance with the legislation on public procurement, openly and equally. We consider the goals and viewpoints of social, economic, and environmental responsibility whilst preparing the tenders, during the processes, and throughout the contract period, as appropriate.

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 have made environmental responsibility an increasingly important part of the procurement 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 during the preparations for each procurement decision, we will be drawing attention to whether environmental issues have been considered in the procurement.

Ethical Code of Conduct for suppliers of goods and services

Veikkaus follows 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 the 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, our suppliers must commit to the ban on the use of child and forced labour and to non-discrimination. Our goal is to carry out the procurement processes using anticipation, improving our supplier management, thereby working to achieve the goals of the entire company.

Veikkaus' purchases of products and services amounted to ca. EUR 176 million in 2021, and we had a total of 1,514 billing suppliers. We made 62 public calls for tender in 2021 (including Hansel's framework agreements), and in addition to these, a significant number of acquisitions made within the scope of framework agreements. A major share of the company's acquisitions concerned ICT.

Working for responsibility in the gambling industry

Veikkaus’ vision is to be a trailblazer of a responsible customer experience. In everything we do, we want to prioritize the gambling 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. In 2021 our President and CEO was a member of the Executive Committee of the European Lotteries (EL). Moreover, a representative of our CSR Unit acted as the chair of the working group of responsible gambling and corporate social responsibility, which revised the requirements of the EL responsible gambling standards. You can view the updated standard here. Our casino director was elected to the board of the European Casino Association (ECA). Read more about our presence in the working groups in the stakeholder table, section “International organizations of the industry”, p. 30.

We have been granted responsible gambling standards by the following international umbrella organizations of the gambling industry: World Lottery Association (WLA), European Lotteries (EL), and the European Casino Association (ECA). At the end of 2021, we passed the assurance processes of both the EL and the ECA responsibility standards.

We received special praise for our actions during the pandemic in the assurance of the EL responsible gambling standard, carried out at the end of the year. We attained the best result of our entire assurance history. We have carried out the assurance of the European Lotteries (EL) responsible gambling standard as one of the first gambling companies since 2009, every three years.

Late in 2021 we asked people whether they agreed with the claim "Veikkaus is a trailblazer of responsibility in the gambling industry” (the Omnibus survey by Taloustutkimus). The share of respondents agreeing fully or almost fully was 46 percent, whereas just 18 percent disagreed fully or almost fully. Through our action for responsibility, we aim to strengthen people’s positive view and the public opinion on Veikkaus’ role as a trailblazer of responsible gambling. Our objective for 2022 is that over half of the respondents would agree fully or almost fully with the claim.

Environmental responsibility and mitigating climate change

Our objective is to become a carbon neutral company. We commit to reducing our environmental impacts and curb the climate change in compliance with the ownership steering requirements covering our operations. Our current environmental programme "Climate-friendly Veikkaus 2019–2025" was approved by Veikkaus' Board of Directors in 2019. At the end of 2021, we joined the Science Based Targets initiative (SBTi). The emissions reductions of the initiative are based on the latest trends in climate research.

Climate risks

We prepare risk management plans based on risk assessment and prioritise the detected risks based on their effects, probability, and economic impact. As regards climate risks, we consider means to mitigate, postpone, or manage them, and draft relevant plans for risk management.

Our operations do not involve significant risks of a major environmental hazard. However, they do cause emissions, thereby affecting climate change. The potential climate risks which our operations may involve include risks associated with the price and accessibility of energy, potential risks associated with delivery chains and the related rise in expenses. The least serious risks are caused by potential changes in obliging environmental legislation, which may affect our operations quickly.

The most important mechanisms to manage environmental risks are joining the Science Based Target initiative, a voluntary international commitment, as well as improving our own operations and reducing our carbon footprint throughout the value chain.

Reducing emissions

In early 2021 we launched a project to analyse and evaluate the environmental impact of our business operations. We calculated the carbon dioxide emissions of our operations in 2020 based on the GHG (Greenhouse Gas) protocol. In 2021 the carbon dioxide equivalent emissions from our own operations, i.e., scope 1 and 2 totalled 2,795 tons (2020: 2,542 tons). The increase in the 2021 carbon footprint can be explained by a more specific calculation method used for district heat.

Our work for the environment prioritises the prevention and reduction of emissions that end up in the atmosphere. Most of our emissions are generated in our value chain, yet even our own operations cause emissions. Whilst working to reduce our emissions, we focus on the activities we can influence most effectively. The biggest emissions from our operations are caused by transportation and the electricity and heat consumed on our premises.

We work continuously to improve the energy efficiency of our premises, to increase the share of renewable energy and heat, and to optimize our own transportation. We are lessees in most of our offices and thus unable to directly affect the energy solutions on the premises. However, we engage in active dialogue with our lessors to enhance energy efficiency. In 2021, we started using biodiesel in our company cars, reducing the greenhouse gas emissions during the lifespan of the fuel significantly.

Our value chain is the source of 95 percent of our emissions, with the major climate impacts caused by the products and services we acquire. Veikkaus' environmental programme aims to reduce the environmental impact of the slot machines and game terminals through lifespan management and choices of materials. As we want to encourage our partners to also consider positive environmental impacts, we have made environmental criteria part of the acquisitions that have major indications for climate and the environment since 2021. An example of such criteria is the guaranteed availability of spare parts for a given period.

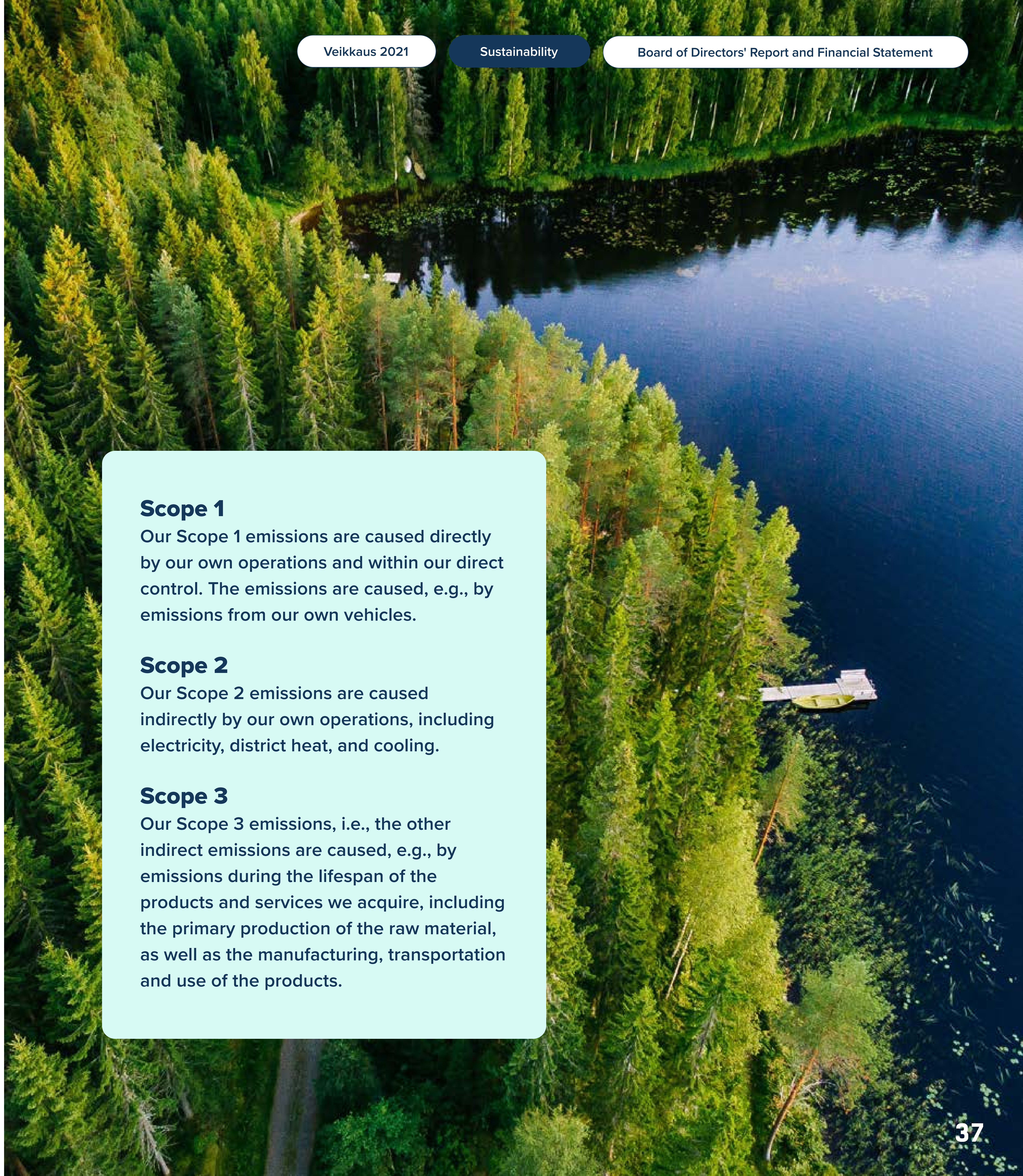
We have supplemented our procurement system and management reporting with a follow-up mechanism concerning the environmental impact of our procurement processes. In 2021, 44 percent of the acquisitions were made considering the environmental criteria. Furthermore, we are working in constant cooperation with our partners to seek means to reduce our carbon dioxide emissions and other environmental harm caused by transportation. Thanks to the optimization and combining of transportations, we have managed to reduce the number of individual deliveries significantly.

High degree of recycling in slot machines

Promoting the sustainable use of natural resources and engaging in circular economy are key to our work for the climate. 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 of our 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 machines. We aim to guarantee cost-efficient and high-quality operations through a lifespan model. The slot machines are compiled in the Scanfil factory in Sievi, Northern Ostrobothnia.

Read more about our environmental key figures, Sustainability attachments, p. 52.



Scope 1

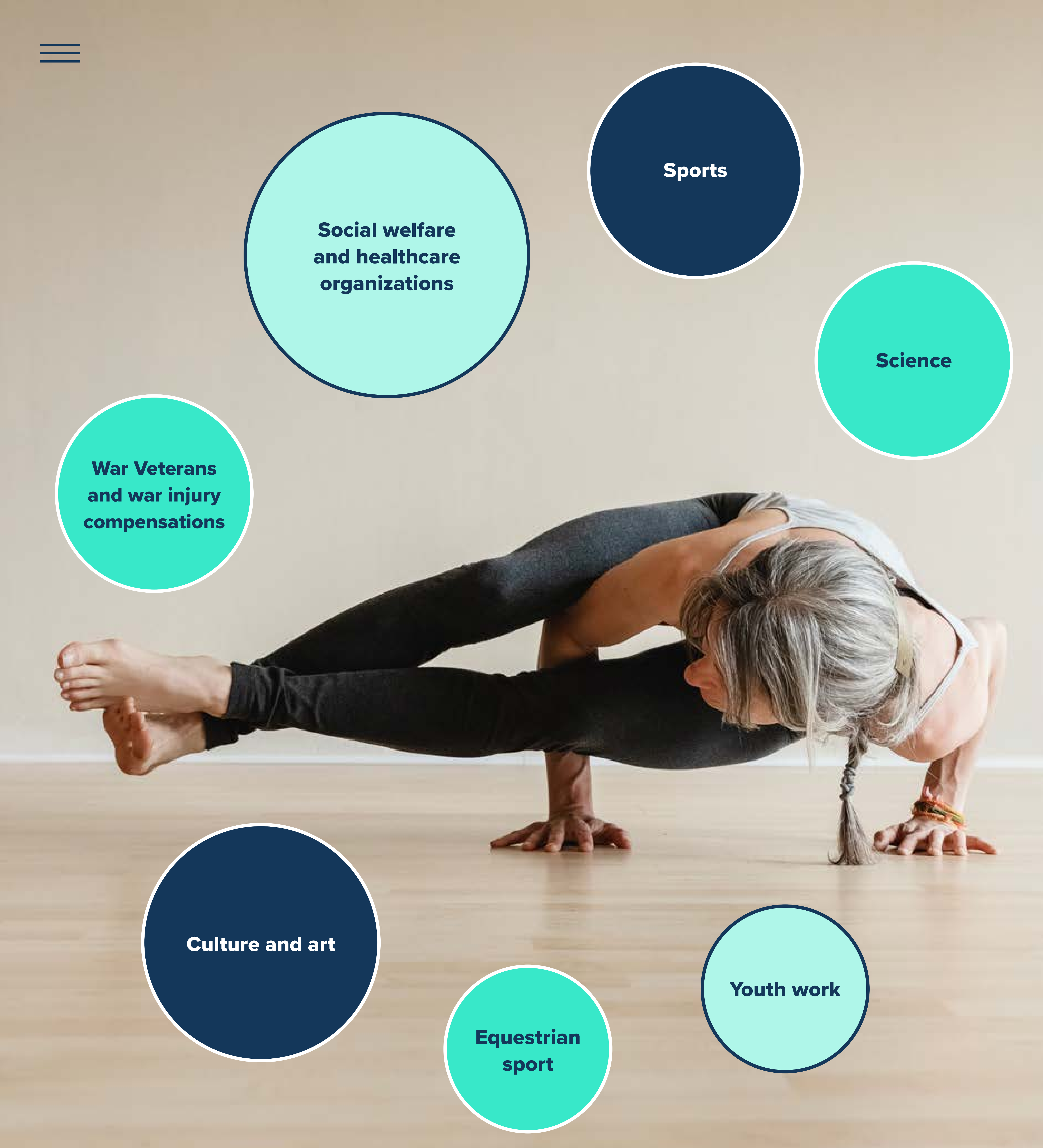
Our Scope 1 emissions are caused directly by our own operations and within our direct control. The emissions are caused, e.g., by emissions from our own vehicles.

Scope 2

Our Scope 2 emissions are caused indirectly by our own operations, including electricity, district heat, and cooling.

Scope 3

Our Scope 3 emissions, i.e., the other indirect emissions are caused, e.g., by emissions during the lifespan of the products and services we acquire, including the primary production of the raw material, as well as the manufacturing, transportation and use of the products.



Revenue to society

Veikkaus has the unique mission to provide responsible gambling games based on an exclusive right. We are also involved in Finnish life in many ways through the gambling revenue. The entire gambling 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 gambling revenue every year.

In 2021, we reached a gross gaming revenue of EUR 1,100.1 million, of which EUR 680.0 million were returned to the ministries. The major drop in the gross gambling revenue, and thereby also in the proceeds, was caused by both the coronavirus epidemic and the measures to promote responsible gambling.

Veikkaus' result remained below the amount to be distributed to the beneficiaries, recorded in the State Budget 2021 for the ministries, which was EUR 778.0 million. The State committed to compensating the consequences caused by the drop in the revenue to the organizations and communities. In the mid-term policy review session 2021, the Finnish Government decided to compensate for the drop in the gaming revenue in 2022 and 2023 by cutting the lottery tax by ca. 80 million euros.

In the reporting period, we proposed to return a total of EUR 292.4 million to the Ministry of Social Affairs and Health, EUR 360.4 million to the Ministry of Education and Culture, and EUR 27.2 million to the Ministry of Agriculture and Forestry, to be further distributed to the beneficiaries.

"We are involved in Finnish life in many ways through gambling revenue."

Responsible for Veikkaus’ employees

Despite many challenging situations, the year 2021 was a period of strong development of the personnel experience and wellbeing at work. We continued the “Best place to work in the gaming industry” strategic programme and worked to update our knowhow, ways of working, and organizational structures. The programme aims at an agile and efficient company where people enjoy coming to work.

The Best place to work in the gaming industry strategic programme consists of six parallel sectors that we work on:

- growth opportunities
- coaching management
- productive working environment
- health and wellbeing
- meaningful work
- mutual trust and well-flowing work

One of the major milestones towards our aim was our third place in the Most Responsible Employer competition, organized by Oikotie company in 2021. We competed in the category of companies employing over 1,000 people. We were praised especially for good supervisor work and investments in employee wellbeing.

We also carry out a Pulse survey to track the development of the topics that are of strategical importance twice a year. The average rate of the two surveys in the reporting year was 2.82 (2.98 in 2020, on a scale of 1 to 4).

Our operating environment and business have gone through profound changes over the past few years. To keep the company dynamic even in the future, we are constantly modifying and enhancing our operations to correspond to the changes in the operating environment. In the reporting period, we continued our work to lower the organization and make it more agile in, e.g., our domestic business, new business, and the point-of-sales organization.

In October we finalized the cooperation negotiations concerning the game arcades and retail sales development, as a result of which we had to cut 183 jobs. At the same time, however, we launched a campaign to recruit personnel to the new Casino Tampere, which employs over 80 people. We are also making efforts to mitigate the personnel impact of the cooperation negotiations by rescheduling the changes concerning the retail network. The terms of the employment relations of ca. 145 employees were changed materially.

"We had success in Finland's Most Responsible Employer competition."

Due to the exceptional pandemic situation, we had to take drastic measures to protect the health of our staff, customers, and retailers. Some of the points of sales and slot machines that had been closed since 2020 were finally opened late in the spring, and ca. 600 Veikkaus' employees, who had been laid off, got to return to their workplaces.

The recognized sustainability risks in our HR policy have to do with coping at work, skills development, discrimination, harassment, workplace safety, and a risk of developing gambling problems more often than the rest of the population. The most important mechanisms for managing these risks are described in the responsibility measures under the priority "Responsible for Veikkaus' employees" in this section.

Wellbeing at work

We ask regularly our staff to express their views to help us with the development of wellbeing, work, and the personnel experience at Veikkaus. During the year under review, we carried out both the Pulse survey and the Wellbeing Pulse survey twice. The Wellbeing Pulse survey, carried out in cooperation with the occupational health care, aims at making the employees think about and keep track of their wellbeing, as well as to gain a big picture of the personnel's overall wellbeing.

We also measure wellbeing at work by following the share of sick leaves of the total working hours. The rate of sick leaves at Veikkaus remained very low throughout the year. In 2021 the sick leave percentage of the theoretical working hours was 3.5.

Instead of carrying out a traditional personnel survey, we are preparing to adopt the Siqni survey concept early in 2022, identifying the most essential themes concerning the personnel experience and motivation in workplace communities. This new type of analysis helps us to gain data on the strengths and points that need to be developed in our working culture, as well as on concrete issues that need to be addressed. We will be using the results to develop each unit and team and the whole organization.

Customers threatening with or using violence affect wellbeing especially for employees working in customer service. We paid special attention to this issue during the reporting period. We conducted a staff survey on the issue, in addition to which we offered more training and education to the employees. The threat of violence is brought up in regular discussions with the occupational health care and the supervisors.

"New low-threshold services offer the personnel support in everyday challenges and coping at work."

A workplace without gambling problems

Over the past few years, we have made comprehensive investments in the wellbeing services for the personnel and proactive operating models. We organized a “Productive and flourishing work” study concept for the whole personnel, encouraging employees to engage in open dialogue on wellbeing topics. Between 600 and 900 employees took up the studies during the year, depending on the course content. Some of our most popular online courses were “Fostering your wellbeing in the middle of exceptional times” and “managing the wellbeing of your mind”. We decided to continue the study programme in spring 2022.

Towards the end of the year, we piloted new low-threshold support services, providing help in various everyday challenges and coping at work. We also paid special attention to the overall management of people’s workload, for which we created a model of regular check-ups.

Due to the exceptional situation with the coronavirus, such Veikkaus’ employees whose work is mainly office work continued to work remotely. We considered the experiences and expectations affecting future ways of working in the Työ2.0 (Work2.0) project. As part of the project, we launched a project to renovate the offices at the headquarters to multi-purpose facilities and updated the instructions concerning remote work to better support the post-corona hybrid office work.

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, planned in cooperation with the occupational health care services and Peluuri, the Finnish Gambling Helpline.

Our goal is a workplace without gambling problems and our annual objective is to reduce the gambling problems among the personnel. In 2021 the rate of personnel saying they were worried about their gambling was 2.3% (2020: 3.8%).

The key objectives of the programme are the detection and prevention of gambling problems among the employees and offering help in potential gambling problems. We have designed an online course for the programme, which all the employees must take annually. The topic is also brought up in regular age-related health check-ups and pre-employment health examinations.

"Our goal is a workplace without gambling problems."

Wellbeing and safety at work	2021	2020	2019	2018	2017
Rate of sick leaves out of theoretical working time	3.5	3.2	3.8	3.8	3.1

Employees worried about their gambling, %	2021	2020	2019	2018	2017
	2.3	3.8	4.1	4.2	3.8

Source: Pulse survey 2021, in the past years, the question on worrying about one's gambling was part of the Corporate Spirit personnel survey.

Equality and non-discrimination

Equal and non-discriminatory treatment and respect for the individual are key to the implementation of human rights in our company. We believe that diversity is an important resource in a workplace community. 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.

We follow the implementation of equality and non-discrimination based on the average of the four questions on equality of the Responsible Employer survey. At the beginning of 2021, we reached the rate 3.46 (on a scale of 1 to 5).

"Anonymous recruitment supports diversity at Veikkaus."

Our plan for equality and non-discrimination for the years 2020–2021 aimed at:

- 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.

Towards the end of the reporting period, we started to work on a new plan for equality and non-discrimination for the years 2022–2023 in cooperation with personnel representatives.

Since the end of the year 2021, recruitments based on the principle of anonymous recruitment have been possible. The objective is to improve the non-discriminatory and equal treatment of job seekers and to ensure diversity at Veikkaus. The wish to introduce anonymous recruitments has been brought up, e.g., in dialogue with personnel representatives.

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 included 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 offer the employees a special Pelialan parhaat ("Best of the gaming industry") training concept, with the purpose of making all the members of the staff familiar with the company's sustainability goals and the special requirements of the gambling industry, including anti-money laundering, data protection, and information security.

We pay special attention to the meaningfulness of work and a management culture that considers the needs of individual employees. The model of early intervention encourages the personnel to boldly bring up topics of working capacity and coping at work in the workplace. This has been even more important during the pandemic and the increase in remote work.

We measure our success through a hundred-percent participation in the responsibility training and the total index in the Responsible Employer survey. The index went up to 3.77 in the start level survey of 2021 (on a scale of 1 to 5).

"The model of early intervention encourages employees to bring up topics of working capacity and coping at work."

Skills development and management

During the year under review, we continued our efforts to improve our culture and skills development, aiming to make coaching management permanent. All the supervisors took a training course on coaching team leadership by the end of the year. An increasing number of team leaders and specialist employees working in networks were invited to take part in the training. A special training programme for the company’s Executive Team was also ongoing during the year.

Towards the end of the year, we started a project to define our model of leadership competencies. The target of the model is to make the measurement of leadership competencies a systematic part of all development of our Veikkaus culture.

In the autumn we launched a study circle titled Sparritaiturit (“Sparring masters”), in order to strengthen a humane, growth-inspired workplace culture. The study circle aims to deepen supervisors’ coaching skills through community-spirited peer learning and discussions, as well as to provide them with tools for everyday situations.

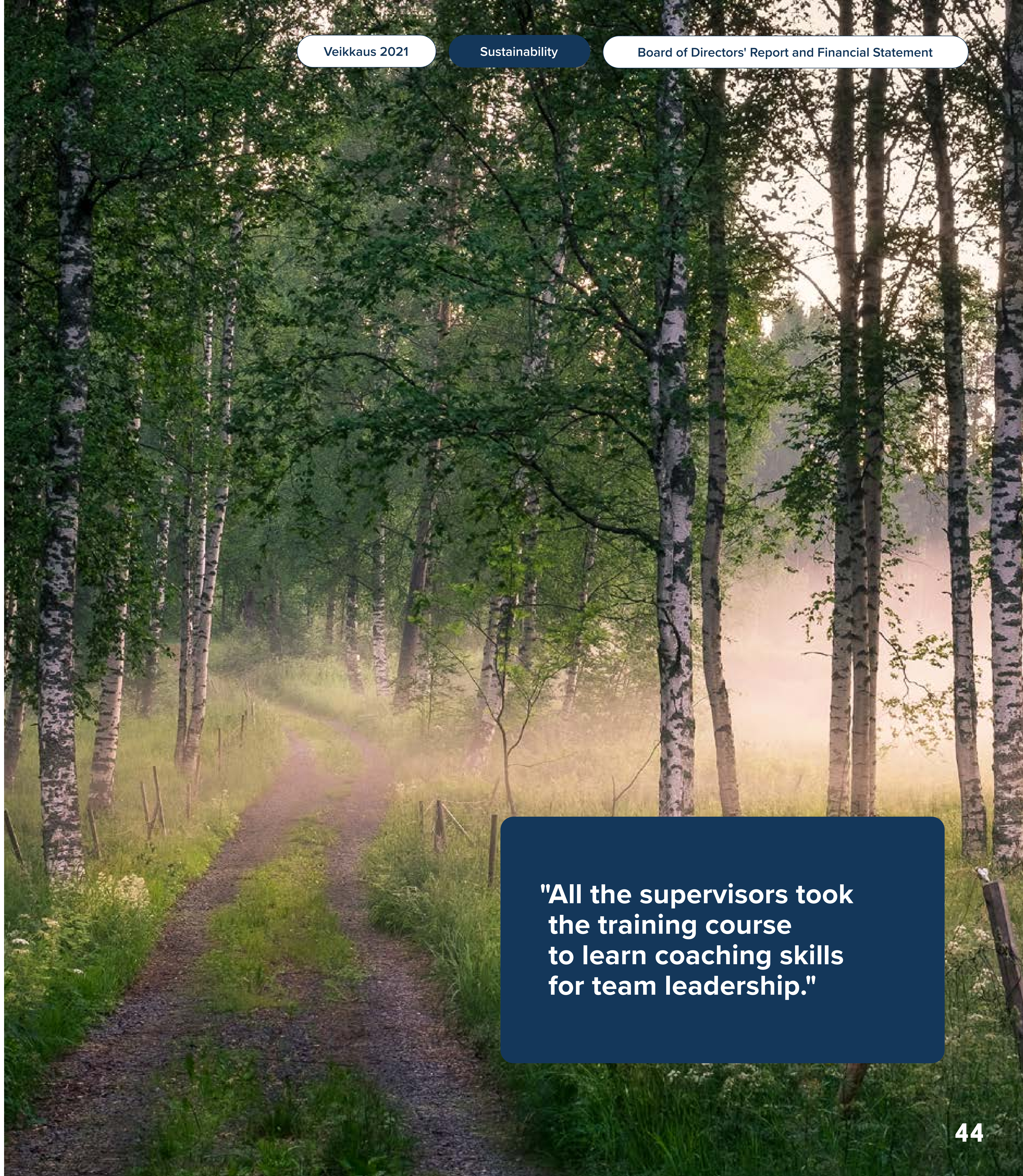
We follow the implementation of the goals of coaching management by a leadership index, based on the 360 feedback that the supervisors receive.

We wish to offer meaningful career paths to Veikkaus’ employees. Our goal is to increase internal mobility by making 80 percent of the recruitments internal. For this reason, we outlined a model of internal mobility with four ways of moving flexibly between jobs at Veikkaus and adopting a new kind of touch, new kinds of skills, and information content.

During the reporting period, we launched two pilot programmes of internal mobility. The first pilot programme was a job market experiment gathering jobs from different sectors of the organization for employees facing potential layoffs. Over 70 employees took part in the pilot, with most of them saying it was useful. We are planning to use their experiences to increase internal mobility between jobs and to develop a skills-based model of career paths.

In December, ten employees started a retraining to become junior software developers. The Coding Lab pilot is a half-year programme, combining versatile study days with practical work. Based on the pilot, we will continue the series of retraining, extending it to other important roles of the future besides software development.

We want to strongly support humane and sustainable working lives. By offering extensive eLearning opportunities, we are building our personnel’s capacity to change. We have also invested in the employees’ facilitation skills, with our objective to intensify people’s coaching skills throughout the organization.



"All the supervisors took the training course to learn coaching skills for team leadership."

Reliable and compliant operations

To operate successfully, we must enjoy the absolute trust of our customers and stakeholders in everything we do. Our operations are guided by many different laws and regulations associated with, e.g., data protection, information security, and anti-money laundering work. Failing these would deteriorate the trust of our stakeholders and our operational reliability, so we need to have clear methods of managing these risks, and we must use them systematically.

Information security and data protection are among the core principles of our company's compliance, risk management, and responsibility. The strong EU regulation on personal data and privacy set high standards to the practices of information security and data protection.

We have a management model of continuous development in place, aiming to prevent and mitigate the human rights risks and operative risks associated with data protection.

Secure monetary transactions and reliable games

Paying for the games and prize payouts form a core part of our players' customer experience. The development of the monetary transaction processes was one of our priorities during the year under review, to ensure optimal processes for the playing customers.

The payment and money transfer transactions become reliable and secure through transparent processes. Every transaction is trackable, which enables us to handle error incidents efficiently. Authenticated gambling enables the customers to manage their money transfer amounts and makes claiming prizes more reliable. Authenticated customers do not have to check their tickets, but the winnings are paid to their bank or game accounts automatically.

Cash has been used less often during the pandemic, and this has also been evident on our slot machines. More and more players have chosen to pay for their games with a debit card. If a debit card is linked to a player's Loyal Customer account, it can also be used as method of authentication.

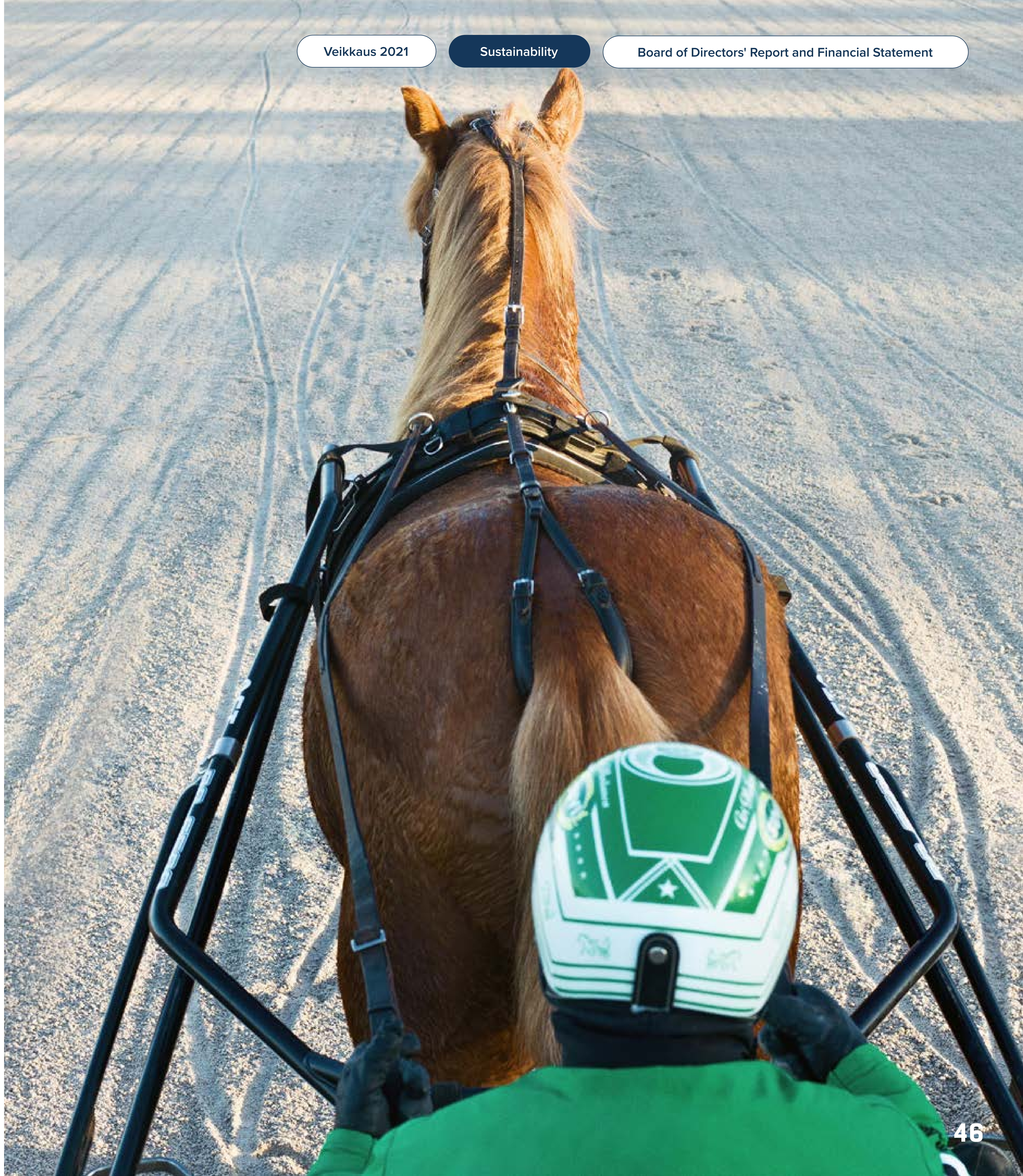
Veikkaus has engaged in active dialogue with various operators in the finance sector during the year under review. The rapid development in the financial sector brings new opportunities and demands that further improve the reliability of monetary transactions.

We have adopted new application programming interfaces of the banking sector, to move towards real-time payment transactions.

Our monetary transactions have been audited by external auditors. Veikkaus holds the ISO/IEC 27001 data security certificate, the ISO 9001 quality certificate, and the PCI DSS certificate, which covers the processing of payment card data. We train and instruct our staff and retailers to process money, game purchases, and winnings.

The National Police Board conducts reliability supervision of the game systems and based on reports we produce. All the game draws and winning categories are confirmed by a supervisory authority.

"Veikkaus monetary transactions have been audited by external auditors."



Data protection and information security

We respect the privacy and data protection of our customers, employees, and partners.

We use our customers' personal data in a confidential and transparent manner and only for the purposes stated in the privacy policies. We ensure the safe and confidential use of personal data by training, instructing our personnel and through various other data protection processes. The safety of personal data, as well as confidentiality, integrity, and accessibility are protected through technological and administrative measures. Moreover, we insure data protection via contracts with our partners and by requiring them to commit to a secure and resposibly way of processing personal data.

We coordinate the data protection improvement work in an internal data protection group, which meets regularly. We have also appointed a data protection officer who reports to the Executive Team on data protection topics and the development of data protection.

Reliable and secure processing of player data

At the heart of Veikkaus' business operations are over two million registered customers. Using player data is central to Veikkaus' operations and a prerequisite for responsible business development. Our games reach a majority of the Finnish adult population. Every year, ca. 3.2 million players play our games; of which 1.8 people million play authenticated at least once a year.

> "Protecting our customers' data and respecting their privacy is a top priority to us."

We use player data, e.g., to develop the customer experience, to implement responsibility measures, and to ensure the safety of gaming. We also use player data to comply with our statutory duties. We use the players' data and funds with the utmost confidentiality and security.

Protecting our customers' data and respecting their privacy is a top priority to us. We use our customers' personal data only for the purposes stated in our privacy policies.

Our privacy statement describes how we process personal data.

We treat all our customers equally and make sure that the winnings are paid out reliably and fairly. The customers' game data is not used in a way that it would affect, in any way, the game mathematics or odds of winning.

We utilize AI in compliance with our ethical principles. Our ethical principles concerning AI are guided by the principles of transparency, privacy, responsibility, and customer-orientation.

Strong consumer protection

Veikkaus treats all customers equally. The conditions concerning the games valid at the time of betting are always openly accessible to the customers. Customers' bets are never subject to deliberation in sports betting, but players can always participate in the games with the bets they wish to place. The winnings are paid out reliably to the customers that are entitled to them.

Strong consumer protection guarantees the customers' legal protection in potential problematic situations where they 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 31 times in 2021 (40 times in 2020).

- Our customers can trust that the games are of high quality and organized reliably.
- The smooth functioning of Veikkaus' games and monetary transactions is verified through regular tests and check-ups.
- Veikkaus treats all customers equally. The winnings 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 audited systematically.
- We only choose events and games by reliable and responsible organizers as betting markets.
- We engage in international cooperation to prevent crime and fraud associated with gambling.
- In order to prevent money laundering, we check a person's identity if the sum of the games or an amount won by a player totals at least 2,000 euros or if anything suspicious is associated with the transaction.

Certified information security

Veikkaus aims to be a leading company in information security in the industry. We comply with the best practices of information 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 information security. Our goal is to maintain a comprehensive, up-to-date picture and set of indicators concerning information security 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 in compliance with the afore-mentioned standards. 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.

"In information security, Veikkaus aims to be a leading company in the industry."

Preventing crime and fraud

Veikkaus engages actively in the work to detect and fight crime and fraud targeting the gambling industry, both in Finland and internationally.

We are 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 markets.

We keep close track of the sports events offered as betting markets. We aim to drop the most suspicious options already when choosing the events and to react quickly if any of the leagues or competitions chosen as markets are found to involve irregularities.

"All Veikkaus' employees take a course on the prevention of money laundering."

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' gambling behaviour than during an event as such. Veikkaus monitors the game data and the development of gambling real-time. This way we can recognize situations where gambling has suspicious features.

Customer due diligence and anti-money laundering work

As an operator subject to a reporting obligation, we take seriously the obligations imposed on us, associated with customer due diligence, and the prevention of money laundering and terrorist financing. It is our duty, under the reporting obligation, to have valid risk-based procedures for the prevention of money laundering and terrorist financing. This means, for example, that we target resources based on risks where the biggest estimated risks are.

In 2021, we took determined steps to improve the procedures concerning customer due diligence and to increase the capabilities related to anti-money laundering work. These were some of them:

- Updating the authentication documents used for customer due diligence and the verification of customers' identity
- Made Pitkäveto (fixed odds betting) bets made at the points of sales subject to compulsory authentication and introduced a daily purchasing limit of 1,500 euros.
- Carried out a reform of our casino system, enabling system-based monitoring of customers' gambling at the casinos.
- Built technological capabilities aiming at the acquisition of customer due diligence data, to be taken into production next year.

In 2021 we organized a course on the prevention of money laundering, which was obligatory to all our employees and retailers. We also offered targeted training on the subject matter.

During the reporting period, we worked in close cooperation with the authorities, especially the lottery administration of the National Police Board. We also took part in the work of a national cooperative working group of operators under reporting obligation, regularly facilitated by the National Bureau of Investigation.

The Lotteries Act is expected to undergo changes in 2022, which will affect our operations. We will also continue to work with the development projects we launched in 2021. As a measure enhancing customer due diligence, we will begin the updating of the KYC identification data (Know Your Customer) in early 2022.

Compulsory authentication will be gradually extended to cover all our game provision by 2023. That will help us to carry out our obligations concerning customer due diligence and continuous monitoring, as well as further enhance our monitoring capabilities aiming at the prevention of money laundering in the next few years.

Open communications and reporting

We want to make sure that our customers and the Finnish public are aware of the big steps we have taken to build a safer and more responsible gambling environment. We also want to tell all our stakeholders about our operations in an open and transparent manner.

Sustainability communications to the customers

At the beginning of the year under review, we started a project on strategic sustainability communications. We sent out targeted customer messages and launch campaigns to inform our customers actively about responsible gambling. During the year under review, the messages concerned especially authentication and new tools for gambling control.

Almost 300,000 of our players have subscribed to the Pelaa maltilla (“Play moderately”) service messages. We contact them every month with versatile messages on the self-control of gambling. At the game arcades and other points of game sales, we made sure that information on authentication, the gambling control tools, the age limit, and the gambling helpline Peluuri was kept prominent. Peluuri offers help in gambling problems.

PELUURI

> "We aim for extensive, multi-channel communications to promote safer gambling."

Veikkaus’ responsible gambling site pelaamaltilla.fi (Play with moderation”) offers all players information about the risks of gambling, the ways of controlling one’s gambling, and the operators offering help in gambling problems. For those who play online, we provide active information on, for example, the option of viewing one’s gambling history, winnings and losses easily per month and per year. Players can view their gambling history at veikkaus.fi for three years.

In spring 2021 we carried out a campaign communicating widely on our concept of gambling control through multiple channels. According to the feedback we received, our message was clear, and it made the customers more aware of the means to control their gambling.

We communicated our brand promise which had already been updated the year before, “Let’s keep gaming on the joyful side”, in several marketing campaigns. The idea of the campaigns was to provoke dialogue concerning gambling problems and spread information on the solutions we offer for the control of gambling.

During the year under review, we organized three media conferences concerning our work to promote responsible gambling and the player data on gambling behaviour and volume. The topics of safer gambling were also prominent in our retailer and game salesclerk communications, for example, the monthly Veikkaus News newsletter.

We keep track of the ideas and images Finnish people have of Veikkaus through, for example, the Reputation&Trust survey by the research company T-Media. The action we have taken for responsible gambling and our open communications on gambling-induced harm have clearly improved people’s idea of Veikkaus as a responsible company that acts in the right way. Our responsibility was rated as 3.34, whereas the average a year before (Q2/2020) had been 3.10 (on a scale of 1 to 5). Read more about the results.

In a brand survey by Frankly Partners, carried out in May, Veikkaus’ key brand indicators and responsibility image had developed favourably. Up to 75 percent of Finns considered that Veikkaus was fairly responsible or very responsible, whereas the respective percentage had been 64 a year before.

Sustainability reporting

We report on the decisions made and measures taken for the promotion of responsible gambling 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 on our website. Veikkaus’ Supervisory Board issues a report on the development of the gambling operations and the measures taken at Veikkaus to prevent gambling-induced harm every year.

Sustainability – attachments

Veikkaus' investments in responsible gambling

EUR	2021	2020	2019	2018	2017
Funds to the Ministry of Social Affairs and Health for research into gambling-induced harm and the development of treatment [1]	2,400,000	2,200,000	2,300,000	2,200,000	1,900,000
Funding of Gambling Helpline Peluuri [2]	950,000	950,000	950,000	950,000	950,000 [2]
Surveys and studies concerning gambling-induced harm commissioned by Veikkaus [3]	169,000	167,000	240,000	160,000	160,000
Preparing for compulsory authentication as expenses of the project [4]	4,100,000	3,100,000	1,800,000	2,100,000	-

[1] Veikkaus finances research into gambling-induced harm coordinated by the Ministry of Social Affairs and Health, and the development of treatment, annually according to invoicing by the ministry, based on §52 of the Lotteries Act.
[2] In 2017 Veikkaus' Board of Directors decided to double the financing of Gambling helpline Peluuri to 950,000 euros a year. The motivation behind the raise was to ensure that the online treatment programme for problem gamblers titled "Time to Fold" could continue.
[3] The population survey on gambling-induced problems was only carried out once in 2021 due to the pandemic. Normally, it has been carried out twice a year, yet in 2019, it was carried out three times. We also carried out a survey on slot machine gambling, targeted at young people between 15 and 17.
[4] In 2021, the preparations for compulsory authentication focused on the implementation of authentication to the slot machines and table games at Veikkaus game arcades.

Intensity of greenhouse gas emissions

	2021	2020	2019	2018
Greenhouse gas emissions (Scope 1 and 2), tCO_2e	2,795	2,542	-	-
Number of employees	1,441	1,592	-	-
Intensity of greenhouse gas emissions, tCO_2e/person	1.94	1.6	-	-

Environmental figures for slot machines

	2021	2020	2019	2018
Recycling of slot machines, %	97	97	97	97
Slot machines and game terminals within lifespan management (%)	100	100	100	85

Carbon footprint, tCO_2e

	2021	2020
Direct and indirect greenhouse gas emissions (Scope 1 and 2)		
Scope 1	568	744
Scope 2*	2,227	1,798
Other indirect greenhouse gas emissions (Scope 3)		
Scope 3	42,194	47,512
Upstream		
Products and services purchased & fixed assets	37,295	41,979
Fuel production and energy transmission losses	1,315	1,044
Transportation and distribution	65	170
Waste	10	36
Business travel **	94	101
Commutation	475	525
Downstream		
Rented property	2,940	3,657
Total	**44,989**	**50,053**

* Scope 2 emissions calculated in a market-based manner
** Calculation method changed, the emissions calculated in more detail for business travel.

Number of employees and personnel structure

	2021	2020	2019	2018	2017
Number of employees, 31 Dec	1,441	1,592	1,606	2,074	2,039
Permanent	98%	97%	97%	98%	98%
Fixed-term	2%	3%	3%	2%	2%
Full-time	75%	72%	72%	53%	58%
Part-time	25%	28%	28%	47%	42%
Average turnover	8.7%	10.5%	21%	20%	21%
Incoming turnover	4.1%	9.6%	8%	22%	20%
Departing turnover	13.4%	11.4%	34%	18%	22%
18-30 years old	24%	29%	30%	43%	42%
31-50 years old	51%	49%	48%	41%	42%
over 50 years old	25%	22%	21%	16%	16%
Average age of employees	41	39	39	36	36

Gender diversity in different job positions

%	2021	2020	2019	2018	2017
	Men / Women	Men / Women	Men / Women	Men / Women	Men / Women
Veikkaus total	61% / 39%	60% / 40%	60% / 40%	56% / 44%	55% / 45%
Board of Directors	57% / 43%	63% / 38%	43% / 57%	50% / 50%	50% / 50%
Executive Team	50% / 50%	56% / 44%	67% / 33%	75% / 25%	60% / 40%
Other management, excl. Executive Team	63% / 37%	57% / 43%	60% / 40%	59% / 41%	65% / 35%
Supervisors *	64% / 36%	59% / 41%	59% / 41%	59% / 41%	59% / 41%
Other officials and employees	61% / 39%	60% / 40%	60% / 40%	56% / 44%	55% / 45%

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

Links between Veikkaus' material topics and the GRI standards

Veikkaus' themes and material topics	GRI standard
RESPONSIBLE TOWARDS THE PLAYERS	
Authentication	GRI 416: Customer Health and Safety
Advanced gambling control tools and supporting players in the self-management of gambling	GRI 416: Customer Health and Safety
Using data and research to prevent gambling-induced harm	GRI 416: Customer Health and Safety GRI 418: Customer Privacy
Number and location of slot machines	GRI 416: Customer Health and Safety
Protecting minors	GRI 416: Customer Health and Safety
Responsible and competitive game products and services	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling
Responsible marketing communications	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling
RESPONSIBLE CORPORATE CITIZEN	
Inclusive stakeholder cooperation	GRI 102: Stakeholder cooperation
Ethical decision-making	GRI 205: Anti-corruption GRI 415: Public Policy GRI 419: Socioeconomic compliance
Responsible procurement	GRI 204: Management approach (procurement) GRI 308: Supplier Environmental Assessment GRI 414: Supplier social assessment
Working for responsibility in the gaming industry	GRI 416: Customer Health and Safety GRI 417: Marketing and Labeling
Environmental responsibility and mitigating climate change	GRI 305: Emissions GRI 308: Supplier Environmental Assessment
Revenue to society	GRI 201: Economic performance GRI 203: Indirect Economic Impacts GRI 207: Tax
Environmental responsibility and mitigating climate change	GRI 103: Management approach (procurement) GRI 305: Emissions GRI 308: Supplier Environmental Assessment

Veikkaus' themes and material topics	GRI standard
RESPONSIBLE FOR VEIKKAUS' EMPLOYEES	
A workplace without gambling problems	GRI 403: Occupational health and safety
Wellbeing at work	GRI 403: Occupational health and safety
Skills development	GRI 404: Training and education GRI 405: Diversity and equal opportunity
A culture that fosters responsibility and caring	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
Equality and non-discrimination	GRI 405: Diversity and equal opportunity GRI 406: Non-discrimination

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 sustainability expert company Mitopro has verified that Veikkaus' sustainability reporting 2021 corresponds to the GRI standards.

GRI content

GRI standard		Reporting content	Location in report	Additional information
General disclosures				
	Organisation's background			
	102-1	Name of reporting organisation		Veikkaus Oy
	102-2	Activities, brands, products, and services	Veikkaus in brief, p. 4 This is how we create value, p. 12 Board of Directors' Report, p. 63-68	
	102-3	Location of headquarters		Helsinki, Suomi
	102-4	Location of operations	Veikkaus in brief, p. 4	
	102-5	Ownership and legal form	Corporate Governance review, p. 3	
	102-6	Markets served	Veikkaus in brief, p. 4 Board of Directors' Report, p. 63-68	
	102-7	Scale of the organization	Veikkaus in brief, p. 4 This is how we create value, p. 12 Board of Directors' Report, p. 63-68	
GRI 102: General disclosures 2016	102-8	Information on employees and other workers	Responsible for Veikkaus' employees, p. 39 Attachments to the CSR section, p. 53 Board of Directors' Report, p. 63-68	
	102-9	Supply chain	Responsible procurement, p. 34	
	102-10	Significant changes to the organization and its supply chain	Board of Directors' Report, p. 63-68	
	102-11	Precautionary principle or approach	Corporate Governance, p. 12	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	Sustainability management, p. 16 Environmental responsibility and mitigating climate change, p. 36	UN Global Compact principles, the Science-based Target initiative
	102-13	Membership of associations	Working for responsibility in the gambling industry , p. 35 Active and inclusive stakeholder cooperation, p. 30-32	Memberships: Finnish Business & Society association, 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), WoTa (World Tote Association), UN Global Compact network.

GRI standard		Reporting content	Location in report	Additional information
GRI 102: General disclosures 2016	Strategy			
	102-14	Statement from senior decision-maker	A word from the CEO, p. 6-7	
	102-15	Key impacts, risks, and opportunities	Changing operating environment, p. 8 Responsibility at the core of the strategy, p. 9-11 This is how we create value, p. 12 The Sustainability Programme, p. 16-19	
	Ethics and integrity			
	102-16	Values, principles, standards, and norms of behaviour	Responsibility at the core of the strategy, p. 9-11, Ethical decision-making, p. 33 Corporate Governance, p. 10-11	The Ethical principles cover every Veikkaus' employee, and the related training is compulsory to all.
	102-17	Mechanisms for advice and concerns about ethics	Ethical decision-making, p. 33	Veikkaus has an anonymous reporting channel, which the employees can use to report any suspicions and observations they have on possible flaws.
	Governance			
	102-18	Governance structure	Sustainability management, p. 15-16 Corporate Governance, p. 5-9	
	102-19	Delegating authority	Sustainability management, p. 15-16 Corporate Governance, p. 5-7	
	102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability management, p. 15-16 Corporate Governance, p. 5-7	
	102-21	Consulting stakeholders on economic, social, and environmental topics	Sustainability management, p. 15-16 Corporate Governance, p. 5-7	
	102-22	Composition of the highest governance body and its committees, and their knowledge in corporate responsibility topics	Sustainability management, p. 15-16 Corporate Governance, p. 5-9	
	102-23	Chair of the highest governance body	Corporate Governance, p. 6	
	102-24	Nominating and selecting the highest governance body	Corporate Governance, p. 6	
	102-25	Processes to ensure conflicts of interest are avoided and managed	Ethical decision-making, p. 33	
	102-26	Role of Board of Directors in setting purpose, values, and strategy	Corporate Governance, p. 6	
	102-27	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	Sustainability management, p. 15-16 Corporate Governance, p. 5-9	The company's Board of Directors and Supervisory Board discuss sustainability topics regularly in their meetings.
	102-28	Evaluating the highest governance body's performance.	Sustainability management, p. 15-16 Corporate Governance, p. 5-9	

GRI standard		Reporting content	Location in report	Additional information
GRI 102: General disclosures 2016	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.	Sustainability management, p. 15-16 Corporate Governance, p. 12	
	102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	Corporate Governance, p. 12	
	102-31	Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.	Corporate Governance, p. 12	
	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 2021.
	102-33	Communicating critical concerns	Corporate Governance, p. 11	
	102-34	Nature and total number of critical concerns	Corporate Governance, p. 11	
	102-35	Remuneration policies for the highest governance body and senior executives	Report on compensation of the governing bodies and personnel 2021, p. 1-7	
	Stakeholder engagement			
	103-40	List of stakeholder groups	Active and inclusive stakeholder cooperation, p. 30-32	
	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 labour relations manager.
	103-42	Identifying and selecting stakeholders	Active and inclusive stakeholder cooperation, p. 30-32	
	103-43	Approach to stakeholder engagement	Active and inclusive stakeholder cooperation, p. 30-32	
	103-44	Key topics and concerns raised	Active and inclusive stakeholder cooperation, p. 30-32 Board of Directors' Report, p. 63-68	
	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	Sustainability Programme, p. 16-19, GRI Index, p. 55-61	
	102-47	List of material topics	GRI Index, p. 54, 58-61	Links between the material sustainability 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 2021

GRI standard		Reporting content	Location in report	Additional information
GRI 102: General disclosures 2016	102-51	Date of most recent report		1 Nov 2021
	102-52	Reporting cycle		One year
	102-53	Contact point for questions regarding the report		https://www.veikkaus.fi/fi/yritys#!/yhteystiedot
	102-54	Claims of reporting in accordance with the GRI Standards		The Sustainability Report was prepared in accordance with the GRI standards core option.
	102-55	GRI content index	GRI Index, p. 55-61	
	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	Sustainability Programme, p. 16-19 GRI Index, p. 54-61	
	103-2	The management approach and its components	Sustainability management, p. 15-16 The Sustainability Programme, p. 16-19 Developing sustainability, p. 20 Building an advanced concept of gambling management, p. 23 Working for responsibility in the gaming industry, p. 35	
	103-3	Evaluation of the management approach	Developing sustainability, p. 20	
GRI 200 Economic disclosures				
GRI 201: Economic Performance 2016	Economic activity			
	201-1	Direct economic value generated and distributed	Veikkaus in brief, p. 4 Board of Directors' Report, p. 63	
	201-3	Defined benefit plan obligations and other retirement plans	Financial statements attachment 17 Liabilities from employee benefits, p. 87	
GRI 203: Indirect economic impacts 2016	Indirect economic impacts			
	203-2	Significant indirect economic impacts	Proceeds to society, p. 38	
GRI 103: Management Approach 2016	Purchasing practices			
	103-1	Management approach to procurement	Responsible procurement, p. 34	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	Additional information
GRI 205: Anti-corruption 2016	Anti-corruption			
	205-2	Communication and training about anti-corruption policies and procedures	Ethical decision-making, p. 33 Fighting crime and fraud, p. 49	
	205-3	Confirmed incidents of corruption and actions taken		No incidents in 2021
GRI 207: Tax 2019	Tax			
	207-1	Approach to tax	Corporate Governance, p. 14	
	207-2	Tax governance, control and risk management	Corporate Governance, p. 14	
	207-3	Stakeholder engagement and management concerns related to tax	Corporate Governance, p. 14	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, p. 14	
GRI 300 Environmental disclosures				
GRI 305: Emissions 2016	Emissions			
	305-1	Direct GHG emissions (scope 1)	Environmental responsibility and mitigating climate change, p. 36-37 Attachments to the sustainability section, p. 52	
	305-2	Energy indirect GHG emissions (Scope 2)	Environmental responsibility and mitigating climate change, p. 36-37 Attachments to the sustainability section, p. 5	
	305-3	Other indirect GHG emissions (Scope 3)	Environmental responsibility and mitigating climate change, p. 36-37 Attachments to the sustainability section, p. 52	
GRI 308: Supplier Environmental Assessment 2016	Supplier Environmental Assessment			
	308-1	New suppliers that were screened using environmental criteria	Responsible procurement, p. 34 Environmental responsibility and mitigating climate change, p. 36-37	Contractual suppliers required to commit to the Ethical Code of Conduct.

GRI standard		Reporting content	Location in report	Additional information
GRI 400 Social disclosures				
GRI 401: Employment 2016	Employment			
	401-1	New employee hires and employee turnover	Responsible for Veikkaus' employees, p. 40 Attachments to the sustainability section, p. 53 Board of Directors' Report, p. 68	
GRI 402: Labour/management relations 2016	Labour/management relations			
	402-1	Minimum notice periods regarding operational changes	Responsible for Veikkaus' employees, p. 40 Board of Directors' Report, p. 68	Veikkaus complies with the Act on Co-operation within Undertakings in its operations.
GRI 403: Occupational health and safety 2016	Occupational health and safety			
	403-1	Occupational health and safety management system	Wellbeing at work, p. 40-41	
	403-2	Hazard identification, risk assessment, and incident investigation	Wellbeing at work, p. 40-41	
	403-3	Occupational health services	Wellbeing at work, p. 40-41	
	403-4	Worker participation, consultation, and communication on occupational health and safety	Wellbeing at work, p. 40-41 A workplacey without gambling problems, p. 41	
	403-5	Worker training on occupational health and safety	Wellbeing at work, p. 40-41	
	403-6	Worker training on occupational health and safety	Wellbeing at work, p. 40-41	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Wellbeing at work, p. 40-41 Responsible procurement, p. 34	
	403-8	Workers covered by an occupational health and safety management system	Wellbeing at work, p. 40-41	The entire personnel are covered by the operations of the health and safety committee.
	403-9	Work-related injuries	Wellbeing at work, p. 40-41	Injuries associated with work and work-related travel are tracked. Further, injury frequencies per personnel groups are counted.
	403-10	Work-related ill health	Wellbeing at work, p. 40-41	Sick leaves rate
GRI 404: Training and education 2016	Training and education			
	404-2	Programs for upgrading employee skills and transition assistance programs	Skills development and management, p. 44	
	404-3	Percentage of employees receiving regular performance and career development reviews	Skills development and management, p. 44	The entire personnel are covered by performance and career development reviews.

GRI standard		Reporting content	Location in report	Additional information
GRI 405: Diversity and equal opportunity 2016	Diversity and equal opportunity			
	405-1	Diversity of governance bodies and employees	Equality and non-discrimination, p. 42 Attachments to the sustainability section, p. 53 Board of Directors' Report, p. 68 Corporate Governance, p. 5-9	
GRI 406: Non-discrimination 2016	Non-discrimination			
	406-1	Incidents of discrimination and corrective actions taken		No incidents in 2021
GRI 414: Supplier social assessment 2016	Supplier social assessment			
	414-1	New suppliers that were screened using social criteria		Contractual suppliers required to commit to the Ethical Code of Conduct
GRI 415: Public policy 2016	Public policy			
	415-1	Political contributions		Veikkaus is not involved in political activities or support them. Veikkaus is registered in the EU Transparency Register.
GRI 416: Customer Health and Safety 2016	Customer Health and Safety			
	416-1	Assessment of the health and safety impacts of product and service categories	Responsible towards the players, p. 21-28 Building an advanced concept of gambling management, p. 23 Developing sustainable and competitive gambling products and services, p. 27	The gambling management concept Whilst developing new game ideas and reforming our existing games, we always carry out an ethical assessment. Towards the end of 2021, we adopted the Gamgard model, which is widely used around the world, and which replaced the previous Responsibility Evaluation Tool, developed cooperatively by the Finnish game operators in 2007.
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		No incidents in 2021
GRI 417: Marketing and Labeling 2016	Marketing and Labelling			
	417-1	Requirements for product and service information and labeling	Responsible marketing communications, p. 28	Responsibility principles of marketing communications
	417-2	Incidents of non-compliance concerning product and service information and labeling		No incidents in 2021
	417-3	Incidents of non-compliance concerning marketing communications	Responsible marketing communications, p. 28	
GRI 418: Customer Privacy 2016	Customer Privacy			
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Data protection and information security, p. 47-48	One incident having led to an official notification.
GRI 419: Socioeconomic Compliance 2016	Socioeconomic Compliance			
	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 2021

Annual report and financial statements

03

Board of Directors' Report 2021

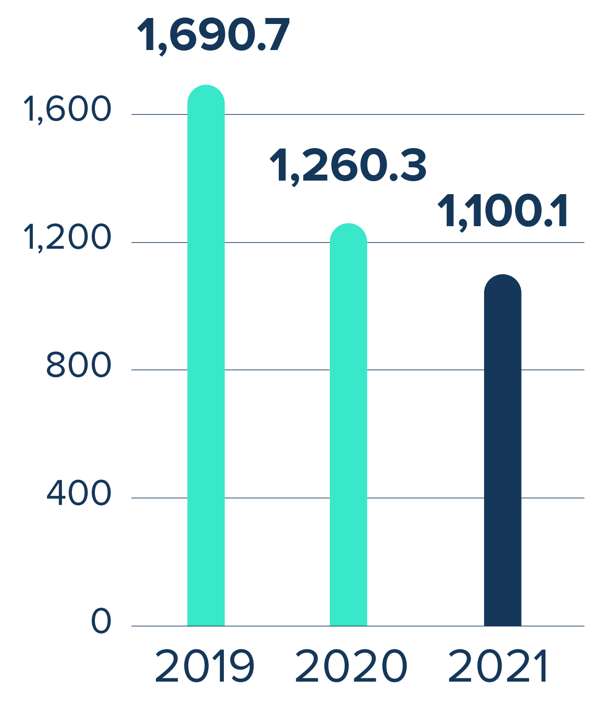
Veikkaus' gross gaming revenue amounted to EUR 1,100.1 million (-12.7%) during the financial period 2021. The drop in the gross gaming revenue was caused especially by the coronavirus epidemic and the compulsory authentication extended to the slot machines, as well as the obligatory loss limits. Most of Veikkaus' slot machines were closed at the beginning of the year, for about four months. The total volume spent on the company's games amounted to ca. EUR 6.9 billion in 2021.

Veikkaus' operating income was EUR 680.4 million (-0.0%) and financial profit EUR 680.0 million (-0.0%). The financial profit remained below the amount that was expected to be distributed to the beneficiaries, as recorded in the State Budget 2021 for the beneficiary ministries, i.e., EUR 778.3 million.

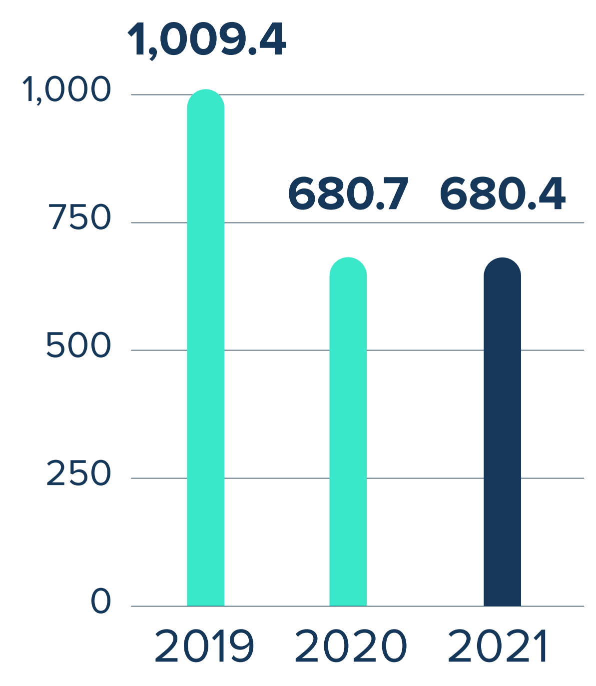
The total Finnish gambling market amounted to an estimated EUR 1,490 million in terms of gross gaming revenue in 2021. This figure contains both Veikkaus' gross gaming revenue and the estimate by H2 Gambling Capital concerning Finns' expenditure on digital gambling games provided by other operators. Compared with the year 2020, the total market fell by ca. 7 percent. Veikkaus' share of the total gambling market was ca. 74 percent (-5 percentage points) in 2021.

Gambling is shifting strongly towards the digital channel where Veikkaus is competing against offshore operators. The Finnish digital gambling market amounted to ca. EUR 960 million, with the expenditure on games provided by other operators than Veikkaus representing EUR 390 million according to an estimate by H2 Gambling Capital. Participation in online games provided by other gambling services than Veikkaus increased by 16 percent in the year under review. Veikkaus' share of the total digital market was ca. 59 percent (-3 percentage points) in 2021. The coronavirus pandemic affected both the gambling market and the development of the market shares strongly in 2020 and 2021.

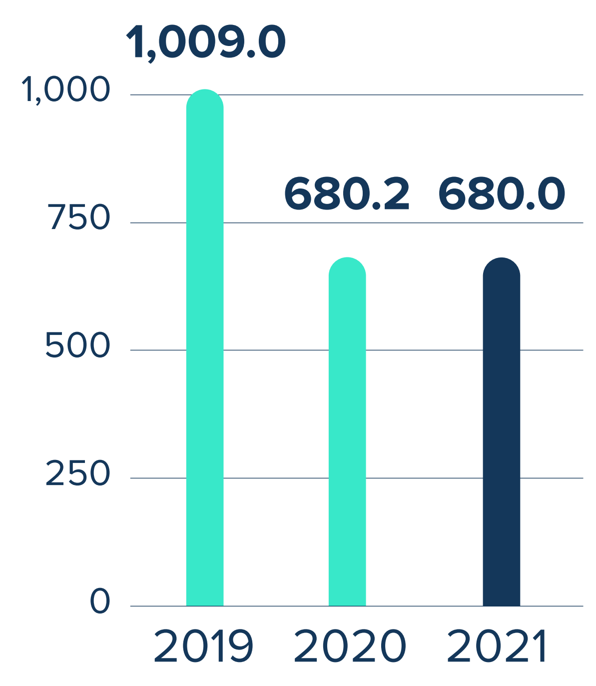
Gross gaming revenue,
€ million



Operating income,
€ million



Financial profit,
€ million



Compulsory authentication to slot machines, table games, and Pitkäveto

We took a major step towards a safer gambling environment, as all slots and table games were made subject to authenticated gambling. Compulsory authentication was established in the retail network slot machines in January. Due to the coronavirus pandemic, most slot machines were, however, closed until the beginning of May, so, in fact, the obligation to authenticate oneself on slot machines became effective during the spring and early summer. As regards the slot machines and table games in Casino Helsinki, compulsory authentication was adopted in July, and for the slot machines and table games at Veikkaus game arcades, it was adopted in September.

Compulsory authentication enables us to offer players efficient tools for the self-control of gambling, including total self-exclusions. At the end of the year, ca. 11,300 customers had opted for a self-exclusion on their slots gambling. For online gambling, the respective number of customers was 30,000.

Compulsory authentication also enabled us to widen the scope of the obligatory loss limits that had already covered the fast-paced digital games, to cover the fast-paced games at the physical retail outlets (slot machines and table games, excl. the games offered at the casinos and poker). Ever since September 2021, our customers have played all of Veikkaus' fast-paced games within the loss limits they have imposed on their gambling by themselves.

Loss limits are typically set at a low level, with the median loss limit being ca. 100 euros a month. The daily loss limit covering all fast-paced games can range between 1 and 500 euros, whereas the monthly loss limit can be 1 to 2,000 euros. The daily maximum loss limit, which had been temporarily lowered from 1,000 to 500 euros due to the coronavirus pandemic, was adopted as a permanent limit by a Ministry of the Interior decree as of 1 July 2021.

Our first analyses would seem to indicate that the loss limits have curbed especially the problematic playing of Veikkaus games. The daily or monthly loss limits are hit by ca. 60,000 customers every month.

Besides the slot machines and table games, we extended compulsory authentication to cover the point-of-sales gambling of Pitkäveto in June, and the game was made subject to a daily purchasing limit of 1,500 euros at the same time. The requirement to authenticate oneself was first introduced to Pitkäveto due to the higher risks of money laundering and misuse it involves. The purchasing limit and authentication help us to efficiently reduce the risks of misuse associated with betting.

Veikkaus' objective is to make all gambling of its games subject to authentication by the end of 2023. Building the technological capabilities towards full authentication is currently underway. Compulsory authentication makes the age limit controls at the points of sales easier and enables us to better prevent money laundering crimes.

Authenticated gambling represented 76.0% of all playing of Veikkaus games in 2021 (+17.9 percentage points). The increase can be explained especially by the newly introduced obligation to authenticate oneself on slot machines. The degree of authentication in ticket-based games, which will be made subject to compulsory authentication in 2022 was 44.1% in the year under review.

Game groups: the coronavirus pandemic affected especially slot machines

Veikkaus games fall into the following game groups in terms of business operations: Lucky Games, Casino Games, and Betting Games. Lucky Games represented 57.1% of Veikkaus' gaming revenue at the end of the year, whereas the share of the Casino Games was 29.4% and that of Betting Games 13.5%.

The coronavirus pandemic had the most drastic effect on slot machines in the Casino Games group, as they were closed at the beginning of the year for about four months. In contrast, the Betting Games were able to reach the pre-coronavirus level of business operations, as the sports event provision almost restored its normal level.

Lucky Games posted a gross gaming revenue of EUR 627.7 million (-5.0%). 44.3% of the entire gross gaming revenue came from the digital channel.

The most popular Veikkaus' game, Lotto, gross gaming revenue (EUR 162.7 million) fell by 6.0% as compared with the previous year. The drop was caused especially by

Our games

Lucky Games	Casino Games	Betting Games
Weekly drawn lottery games Lotto, Eurojackpot, Vikinglotto, Jokeri, Lomatonni **Daily drawn lottery games** Keno, Kaikki tai ei mitään, Synttärit, Tähdenlento, eInstants, eBingo **Scratchcards**	**Slot machines** Slot machines in the retail partner network, Slot machines at Veikkaus' game arcades **Other casino games** Digital slot machine and table games, table games at Veikkaus' game arcades	**Betting games** Pitkäveto, Live Betting, Moniveto, Tulosveto, Voittajaveto games and Vakio (Football Pools) **Toto games** e.g. Toto75, Toto64, Toto65, Toto4, Kaksari (Quinella), Troikka (Trifecta)

Our sales channels

veikkaus.fi Veikkaus application	Feel Vegas archades*	Pelaamo arcades*	Casino Helsinki Casino Tampere (from 15th Dec 2021)	Points of sales in the retail partner network

* In 2022, the two game arcade concepts will merge into a single game arcade concept.

reduced amount of record-high jackpots. There was only one round in Lotto in 2021 when a record-high jackpot was available. Lotto's 50th anniversary was visible in the media and our marketing in many ways.

Eurojackpot's gross gaming revenue (EUR 127.1 million) decreased by 7.2%. The fall was especially due to the number of maximum jackpots being smaller than the previous year. In the reporting period, the 90-million-euro maximum jackpot was only available on three rounds, whereas it had been on offer on up to six rounds in the previous year. Finns hit Eurojackpot's jackpots twice in 2021.

The share of authenticated gambling in Lucky Games was 64.7% (+0.2 percentage points) in 2021.

The Casino Games posted a gross gaming margin of EUR 323.4 million (-30.1%) in 2021. 53.5% of the gross gaming margin came from digital gambling.

The gross gaming revenue generated by the retail network and Veikkaus game arcades together was EUR 143.0 million (-52.2%) in 2021. Due to measures associated with the coronavirus pandemic, the slot machines were closed totally or in part for about four months in the spring, depending on the epidemic situation of the area. The restrictions on gambling caused the gross gaming revenue of the slot machines to decrease both in the retail network and at Veikkaus game arcades. Moreover, the newly introduced tools of responsible gambling had a clear effect on people's gambling behaviour.

The gross gaming revenue of the slot machines in the retail network amounted to EUR 107.3 million (-53%) in 2021. There are now clearly fewer slot machines in the retail network than at the beginning of 2020, when they numbered ca. 18,000. Currently, there are fewer than 10,000 slot machines at stores, kiosks, service stations, and restaurants. A total of ca. 280,000 customers played slots on the slot machines of the retail network in 2021.

The gross gaming revenue of the slot machines at Veikkaus game arcades was EUR 35.7 million (-51%). Updating the foreign slot machines at the game arcades to be subject to compulsory authentication was still underway during in 2021, which is why only a part of them were available for playing.

As the slot machines of the retail network were reopened, we launched a new Portal Heroes slots game in June. The popular Superruletti game, which had not been part of our selection for some time, was relaunched in June, and another game, Viidakkovuori was released in July. August and September saw the release of Pikapokeri 2 and Egyptika, which was the first new game for nearly a year to be released both in the digital channel and on slot machines.

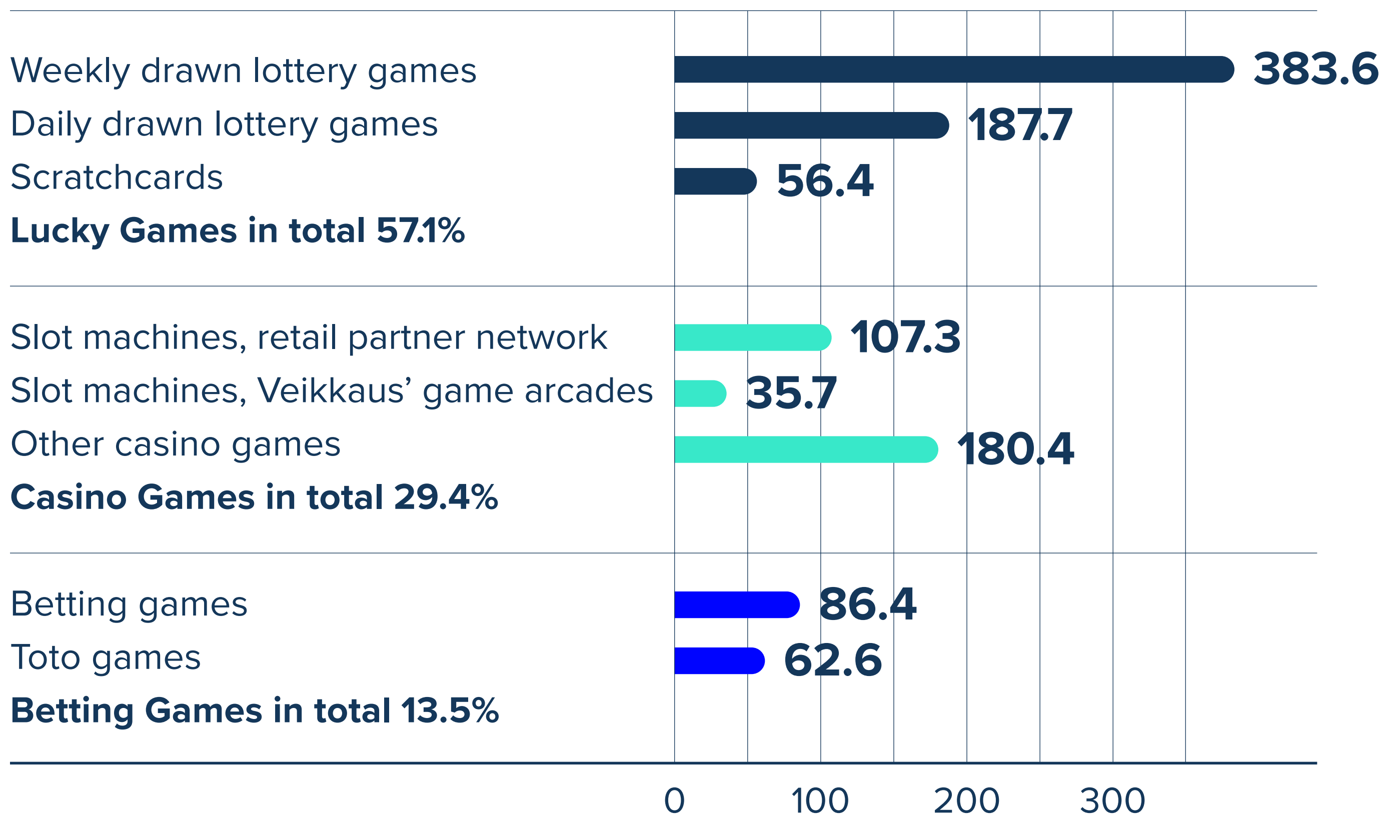
The gross gaming revenue of the digital casino games (EUR 173.2 million) increased by 12.8% over the previous year, as a result of both the closure of the physical slot machines and successful game releases. A total number of 155 digital slots games were released during the year. The most popular among them were games designed by Veikkaus own game studio, Pikapokeri 2, Fruttis 2, and Hippu. Veikkaus also signed an agreement with a new online game provider, Relax Gaming. The average number of weekly players of the digital casino games grew by 4% compared with the previous year.

Betting Games posted a gross gaming revenue of EUR 149.0 million (+8.6%) in 2021. The share of digital gambling was 76.2%.

The sports event provision recovered almost back to pre-covid level, and as a result the Betting Games were able to reach the level of 2019 in terms of gross gaming revenue at the beginning of the year. The IIHF World Championship, which took place in May and June, and the UEFA Euro Championship in June and July speeded up the upturn. However, the gross gaming revenue from the UEFA Euro Championship remained at a lower level than that of the previous UEFA Euro Championship in 2016 (-17%). The drop can be explained by the compulsory authentication adopted in Pitkäveto betting, as well as the smaller number bonus markets. The games to show the greatest drop were Moniveto, Tulosveto, and Voittajaveto.

We introduced compulsory authentication to the ticket-based betting of Pitkäveto, which lead to the point-of-sales betting of Pitkäveto to halve. Of the previous unauthenticated Pitkäveto betting, ca. 40 percent turned authenticated. The

Gross gaming revenue by game groups, € million



compulsory authentication in Pitkäveto also raised the share of authenticated gambling somewhat, reaching 83.2% (+2.3 percentage points) in 2021.

The gross gaming revenue of Toto games, EUR 62.6 million, increased slightly from the year before (+0.5%) even though the restoration of the sports event selection added to the betting options available to the players. Some of the active sports bettors had widened their scope towards the Toto games during the coronavirus pandemic. The chance of betting on Swedish horse races has also added to the popularity of the Toto games. Of the gross gaming revenue from the Toto games, 51.7% came from Finnish horse races and 42.7% from Swedish ones.

Sales channels: slot machines and game arcades closed for several months

In 2021, 48.6% of Veikkaus gross gaming revenue came from the physical points of sales and 51.4% from the digital channel (+8 percentage points). The physical points of sales share of the gross gaming revenue dropped due to the closure of the slot machines at the beginning of the year and the compulsory authentication introduced to the slot machines, together with the obligatory loss limits.

The customer experience in Veikkaus' online service and application was improved through many reforms in 2021. The websites of lottery games and eInstants were overhauled totally; we continued to improve the betting games concept and started the revamp of the toto games website. We also worked to improve the accessibility of the website and made its visual image more uniform by reforming the front page and navigation of the online service.

In the summer, we added a responsibility section to veikkaus.fi, where players seeking help to control their gambling can easily find a link to the Pelaa maltilla (Play moderately) website. We also added the responsibility section to the start screen of the Veikkaus application. Moreover, the Block Game button was made visible to all the registered users of the veikkaus.fi service. In September, we added a responsibility module to the front page of veikkaus.fi, enabling customers to view the money they had spent on gambling in the past month, together with their chosen gambling limits and a topical responsibility message.

The Veikkaus application and the Poker application returned to Google Play for downloading. During the year 2021, we almost finalised the total overhaul of the Veikkaus app.

An average of 776,000 customers (+ 2.1%) signed into the online service every week during the year. For the whole year, the number of customers signing into the service was ca. 1,606,000. The number of customers increase was resulted by reforms improving the customer experience and digital purchasing, which has increased in general. The increase in digital purchasing was reflected especially on the use of the Veikkaus application, which grew by 32.9% as compared with 2020.

During the year 2021, we limited the opening hours of the slot machines at the points of sales in Veikkaus' retail network in different ways due to the coronavirus epidemic. In the winter and the spring, the slot machines and Veikkaus' game arcades were only open in healthcare districts that were on the basic level of the epidemic. Therefore, most of the slot machines were closed until May, when Veikkaus opened its slot machines and game arcades, as other restrictions in society were removed. All the slot machines in the retail network were opened on 24 June. At the end of September, Veikkaus changed its coronavirus instructions to better meet the social restrictions that had been changed. The restrictions imposed by the authorities were targeted more precisely, by regions and business sectors. Towards the end of the year, Veikkaus only closed slot machines at such points of sales that the restrictions concerned.

Finland's first casino, Casino Helsinki, turned 30 in 2021. The anniversary was characterised by the exceptional conditions that the coronavirus caused, due to which the casino was kept closed until the beginning of May. As part of the major sustainability actions Veikkaus took during the year, we adopted compulsory authentication with the Casino Card in the slot machine and game tables of Casino Helsinki. Furthermore, voluntary loss limits on the casino's slot machines were adopted in September.

Finland's second casino was opened in the city of Tampere at the Nokia Arena in December. The new casino has 134 slot machines and 13 game tables, including the poker tables. All the games at Casino Tampere are subject to compulsory authentication, and the self-control tools available are the same as those in use at Casino Helsinki.

Following a round of cooperation negotiations in autumn 2021, Veikkaus decided to close down 14 of its game arcades. The profitability of these arcades had been permanently weakened as a result of the sustainability actions and changes in customer behaviour.

During the year under review, Veikkaus continued to modernise its retail network, to provide even better services to both our game-selling partners and our customers. All Veikkaus' points of sales will get a new terminal at the end of 2022, when playing the ticket-based games becomes subject to compulsory authentication. In summer 2021, Veikkaus already started a test pilot on the new terminal at the first points of sales.

Major steps forward in point-of-sales age limit controls

Efficient age limit controls are key to Veikkaus' endeavours to build a more responsible gambling environment. We introduced enhanced age limit controls to our game arcades and retail outlets in the spring and attained good results.

Veikkaus' game sales are subject to a reference age limit of 30 years. This means that anyone looking under 30 must prove their age to play Veikkaus games. We follow the compliance with the reference age limit by way of test purchases both at the points of sales of the retail network and at Veikkaus game arcades. Any negligence in the supervision is addressed immediately.

The obligation to authenticate oneself in slots gambling has already partly facilitated the age limit controls. All Veikkaus games will be made subject to compulsory authentication in 2023.

For more information on the age limit controls at the points of sales, see Veikkaus' sustainability report 2021.

International business-to-business operations started

One of Veikkaus' strategic objectives has been to launch international business-to-business operations (cf. note to the financial statements 21). The new B2B operations were subject to an amendment of the Lotteries Act, which the Finnish Parliament approved in December 2021. After the new Lotteries Act had entered into force and the Prime Minister's Office had granted permission, we were able to launch the B2B operations in January 2022.

Veikkaus' new business will be launched by supplying game services and products developed by Veikkaus to corporate customers. During the year 2021, we prepared for the B2B operations based on permissions granted by the Prime Minister's Office. The preparations concerned the planning and development of the capabilities needed for the first game products and services, the business planning of the B2B company, as well as the creation of a corporate structure and operating model fulfilling the legal requirements.

Thanks to thorough preparations, we were able to start the business quickly at the beginning of 2022.

Veikkaus has been a partner in the joint venture LEIA owned by five national gambling companies since 2018. Through the cooperation with LEIA and its partners, we have obtained important knowledge and experience, as well as customer references for international B2B operations. In December 2021, we finished the integration process for supplying Veikkaus' eInstants to the LEIA company. Thus, Veikkaus' B2B subsidiary will be able to supply localised eInstants to the LEIA partners.

Veikkaus' reputation developed favourably

Veikkaus made major investments in marketing and communications in 2021 to raise Finns' awareness of the tools for gambling control and Veikkaus' work for sustainability. The biggest marketing campaigns were related to compulsory authentication on slot machines, the loss limits on fast-paced gambling, as well as the new screen view of player data.

These actions led to a significant improvement in the indicators concerning Veikkaus' public image. Veikkaus attained the rate 3.49 in the Reputation& Trust survey for Q2 by T-media, whereas our rate in the previous survey had been 3.34 (Q4/2020).

In 2021 Veikkaus adopted extensive CSAT measurements for keeping track of the customer experience. The CSAT measures the share of customers who are either satisfied of very satisfied with the service they get. Veikkaus' CSAT score, which shows customer satisfaction on a general level ranged between 78 and 88 in 2021, with an average rate of 81.

At the end of the year 2021, Veikkaus had ca. 2,178,000 registered customers. Their number increased by 26,000 customers (+1.2%) during the year. The number of playing registered customers grew by 60,000 (+3.3%).

Prevalence of gambling problems decreased
Veikkaus follows the development of gambling problem and gambling-induced harm through the Telebus survey by research company Taloustutkimus and a comprehensive population-level survey.

The Telebus survey by research company Taloustutkimus includes a pulse question "I have had problems controlling my gambling in the past year". In 2021, 1.7 percent of the respondents agreeing totally or somewhat with the statement (the respective share was 2.3% in the year before). The question was answered by 4,000 respondents in the reporting year. The error marginal of the survey was +/-0.9 percentage points.

The following questions in the same survey concern especially slots gambling: "I play slots to a problematic degree" and "someone else in the same household plays slots to a problematic degree". Of the respondents, 1.1% said they agreed totally or somewhat with the claim (the respective share for the previous year having been 1.6%).

Veikkaus also follows the development of gambling problems by an extensive population survey of 5,000 respondents, based on the international SOGS-R questionnaire concerning gambling problems. Due to the exceptional situation caused by the coronavirus pandemic, the survey was only carried out once in 2021, towards the end of the year. The outcome of the survey, which was made at the end of the year, was also the lowest ever since the surveys were started in 2017. Based on the survey, 1.8 percent of the respondents were categorized as problematic gamblers. In proportion to the entire population, this would correspond to a total of 75,000 people.

It remains to be seen how big an impact the coronavirus epidemic has had on the decrease in the prevalence of gambling problems and how permanent the change is.

Veikkaus joined the UN Global Compact initiative

During the year under review, Veikkaus updated the indicators of its CSR Programme for the material topics. Veikkaus joined the UN Global Compact initiative and is thus committed to make its business even more responsible in matters related to human rights, working life, the environment, and anti-corruption. Veikkaus also carried out an internal human rights survey, which served as a basis for the company's human rights commitment.

The carbon dioxide emissions caused by Veikkaus' operations were calculated according to the GHG protocol, and we decided to commit to the Science Base Targets initiative (SBTi).

More information on Veikkaus' sustainability policy and actions is available in our 2021 sustainability report.

Developing operations for improved cost-effectiveness

Veikkaus' expenses decreased in almost all sectors as a result of a fall of the volume in the business and as well as the development of the operations. The lottery tax and the retail commissions to the partners went down due to a drop in the gross gaming revenue when compared with the previous year. The lottery tax was also affected by the fact that the tax rate was lowered from 12 percent to 5.5 for the year 2021. Veikkaus paid a total of EUR 60.4 million lottery tax to the State and EUR 83.4 million of retail commissions to the retail partners. The supervision costs and fees to the authorities also went down from the year 2020, when they had increased, e.g., due to acquisitions associated with the overhaul of the supervision infrastructure systems.

The operating expenses went clearly down as a result of revision of processes and the optimisation of operations. Investments in supplies were smaller than before, as there was less demand for, e.g., permanent equipment for coronavirus protection and digital displays. The volume of marketing was additionally affected by the jackpot levels that remained lower than usually. Depreciations and write-downs declined due to a diminished number of slot machines, the cost effect of the investments caused by the merger of the gambling operators, and a decrease in the nonrecurring items. Despite the decrease in the gross gambling revenue, Veikkaus improved its cost-effectiveness, the costs to gross gaming revenue ratio being 32.4% (32.9%).

The company's balance sheet and liquidity are on a sound level. The company's total balance sheet amounted to EUR 1,003.4 million at the end of December (EUR 1,032.9 million in December 2020). As a prepayment of the financial profit for the year 2021, we have returned a total of EUR 658.0 million to the beneficiary ministries.

Investments in research and development

Veikkaus spent a total of EUR 26.9 million (+1.9%) on research and development in 2021. The development activities centred on responsible gaming reforms.

Governance: changes to the Board of Directors

The Annual General Meeting on 18 March 2021 appointed Ms Leena Vainiomäki to Veikkaus' Board of Directors as a member and as vice chairperson. The board continues to be chaired by Mr Olli-Pekka Kallasvuo, with the members being Mr Christian Cedercreutz, Mr Pekka Hurtola, Ms Anne Larilahti, Mr Juha A. Pantzar, and Ms Hanna Maria Sievinen.

Personnel: the best place to work in the gaming industry as a strategic goal

Veikkaus employed 1,441 people at the end of the review period (1,592 at the end of 2020). 53% of the employees were working as croupiers and dealers, and in other customer service jobs. The share of full-time employees was 75%, and that of part-time employees was 25%. Up to 98% of the employees had permanent employment contracts. Women represented 39% of the personnel and men 61%. The personnel expenses were EUR 90.6 million (+4.2%) in 2021. Salaries and wages amounted to EUR 73.9 million, whereas pensions and indirect personnel expenses were EUR 16.7 million.

In the reporting period, we worked to lower the organization and make it more agile, and to strengthen the vitality of the company in, e.g., domestic business, new business-to-business operations, and the point-of-sales organization.

In August, Veikkaus launched cooperation negotiations concerning the Point of Sales function, finalising in October. As a result of the negotiations, the company will gradually reduce 183 jobs in the POS function by the end of 2022. To minimise the personnel impact, the company arranged an internal campaign for recruiting staff to Casino Tampere, opened in December and employing over 80 people.

Due to the exceptional conditions caused by the coronavirus epidemic, ca. 600 Veikkaus employees were laid temporarily off from the game arcades for the period between January and April. We organized a job market experiment gathering jobs from different sectors of the organization for employees facing potential layoffs. Over 70 employees took part in the job market pilot, and we are planning to use their experiences to increase internal mobility between jobs and to develop a skills-based model of career paths.

Towards the end of the year, we organised a new Veikkaus Coding Lab retraining pilot. It is a half-year programme, in which members of Veikkaus' staff from different parts of the organization are trained to become junior software developers. Based on the pilot, we will continue the series of retraining, extending it to other important roles of the future besides software development in 2022–2025.

Although remote work was the main form of working for half of the staff most of the year, the newly launched Työ2.0 project paved the way towards hybrid work, which we got to try in October and November. Our experiences of the exceptional conditions and the end-of-the-year pilot seem to indicate that hybrid work, combining the best parts of remote and on-site work, will be the principal form of working for most Veikkaus employees doing office work.

Veikkaus also continued the strong development of culture and skills in the company, with a special focus on coaching management. We improved the ability to change of the entire personnel by offering a wide variety of eLearning opportunities. The rate of sick leaves at Veikkaus remained very low throughout the year, and the company piloted various proactive low-threshold wellbeing services in the autumn.

We also carry out a Pulse survey to track the development of the topics that are of strategical importance twice a year. The rate attained in the first survey in May was 2.91 and that of the December survey was 2.72.

Veikkaus' strategic objective is that the personnel and the management shall jointly turn the company into the best place to work in the gaming industry by the year 2025. Reaching the objective requires that we work to reform the structures, management, and ways of working together and that every member of Veikkaus' staff is involved in the process.

Supervision and risk management

Veikkaus' gaming operations are supervised by the National Police Board working under the Ministry of the Interior, according to chapter 42, section 2 of the Lotteries Act (506/2009). 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 report 2021.

Future prospects

The sustainability measures decided by Veikkaus' Board of Directors have a major impact on the company's financial prospects. It is estimated that in 2022, Veikkaus' total return will still be at a clearly lower level than that of the years 2017–2019. To compensate the decline in the return, it was decided in the preparation of the State Budget that the lottery tax will be lowered temporarily to 3.4 percent for the period between 1 January and 31 December 2022.

Streamlining operations and adapting the number of employees to those will generate cost savings of an estimated EUR 15 million by the year 2024. A major share of the savings is based on the closure of 14 of Veikkaus' game arcades.

The new Lotteries Act entered into force on 1 January 2022, enabling Veikkaus to establish a subsidiary focusing on international business-to-business operations (cf. note to the financial statements 21). We expect the subsidiary to be unprofitable during its first year of operations but to generate significant new cash flow to the parent company, and thereby also to the beneficiaries, in the years to come.

Events after the balance sheet date

Veikkaus Oy founded a subsidiary (Fennica Gaming Ltd) to pursue international business-to-business operations on 19 January 2022. More information on the international business is available in note to the financial statements 21.

Board of Directors' proposal for the Distribution of the profit

The profit for the financial period of 2021 of Veikkaus Oy was EUR 680,014,445.78. The Board of Directors proposes that the profit of the financial period be returned to the beneficiary ministries: EUR 27,200,577.83 to the Ministry of Agriculture and Forestry; EUR 360,407,656.26 to the Ministry of Education and Culture; and EUR 292,406,211.69 to the Ministry of Social Affairs and Health.

Veikkaus' direct proceeds to society in 2021 can be calculated to amount to a total of EUR 768.8 million. Further, Veikkaus paid EUR 60.4 million to the State in lottery tax, and a total of EUR 28.4 million in VAT, which affected the profit as an expense. Veikkaus is not VAT liable and can therefore not deduct the VAT included in its purchases.

Statement of comprehensive income

EUR	Note	2021	2020
GROSS GAMING REVENUE	1	1,100,051,960.64	1,260,338,202.18
Other operating income	3	3,670,525.76	3,477,374.39
Lottery tax		60,388,603.82	151,315,538.40
Materials and services			
Payments to authorities and supervision fees		9,951,728.46	13,410,851.07
Retail commissions and location fees		83,415,360.09	110,262,308.20
Materials and supplies		3,830,324.97	9,592,415.80
Tickets and scratchcards		5,068,158.64	4,838,989.01
Drawing expenses and result information		9,079,067.27	10,416,958.12
Game event cooperation		11,587,738.85	12,667,063.45
Product advertising		5,339,598.10	7,613,767.20
		128,271,976.38	168,802,352.85
Employee benefit expenses			
Salaries, wages, and compensations		73,879,692.04	73,398,147.03
Pension expenses		13,130,205.81	11,660,542.17
Indirect personnel expenses		3,601,462.06	1,934,829.53
		90,611,359.91	86,993,518.73

EUR	Note	2021	2020
Other operating expenses			
Services purchased	5	64,864,872.00	66,996,042.55
Depreciation, amortisation and impairment	4, 9, 10	49,141,010.02	66,550,039.04
Other operating expenses	6	30,071,630.21	42,471,348.78
		144,077,512.23	176,017,430.37
OPERATING PROFIT		680,373,034.06	680,686,736.22
Financial items			
Financial income	8	167,352.39	175,896.86
Financial expenses	8	525,940.67	685,817.46
		-358,588.28	-509,920.60
TAXES		0.00	0.00
FINANCIAL PROFIT		680,014,445.78	680,176,815.62
Earnings per share *			
Number of shares		6,000 pcs	6,000 pcs
Earnings per share		113,335.74	113,362.80

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

Balance sheet

EUR	Note	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	9	113,383,353.20	121,155,608.13
Intangible assets	10	21,426,747.20	19,845,861.83
Right-of-use assets	12	25,395,371.00	30,573,881.00
Long-term investments	13	1,002,863.52	1,007,363.52
Other non-current receivables and advance payments	13	12,898,287.50	13,611,284.00
CURRENT ASSETS			
Inventories		3,300,423.03	3,940,536.57
Advance payments		658,000,000.00	670,000,000.00
Accrued income and deferred expenses	14	25,812,059.11	23,441,592.89
Cash and cash equivalents	15	142,218,331.36	149,287,936.01
TOTAL ASSETS		**1,003,437,435.92**	**1,032,864,063.95**

EUR	Note	2021	2020
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		680,014,445.78	680,176,815.62
TOTAL SHAREHOLDERS' EQUITY		**832,217,694.12**	**832,380,063.96**
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease debts, interest-bearing	12	17,767,445.00	21,885,910.00
Liabilities from personnel benefits	17	4,492,000.00	4,291,000.00
Other non-current liabilities	17	1,302,298.00	1,528,618.00
CURRENT LIABILITIES			
Lease debts, interest-bearing	12	8,503,043.00	9,359,197.00
Advance payments received	18	5,107,847.77	5,253,853.17
Advances for multi-week subscriptions	18	13,357,717.27	17,159,933.35
Accounts payable	18	14,337,390.26	15,015,483.83
Prizes payable	18	35,002,276.96	38,726,270.69
Settlement debt to the State	18	12,861,954.55	26,433,086.08
Accrued liabilities and deferred income	18	47,849,931.94	48,124,900.85
Other current liabilities	18	10,637,837.05	12,705,747.02
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,003,437,435.92**	**1,032,864,063.95**

Cash flow statement

EUR	Note	2021	2020
CASH FLOW FROM BUSINESS OPERATIONS:			
Operating profit		**680,373,034.06**	**680,686,737.22**
Adjustments to cash-flow based on business operations			
Depreciation and amortisation		47,068,235.92	60,970,954.22
Other non-cash income and expenses (+/-)		319,842.83	4,844,642.31
Other adjustments (+/-)		0.00	0.00
Cash flow from business operations before change in working capital		**727,761,112.81**	**746,502,333.75**
Changes in working capital			
Increase (-) / decrease (+) in working capital		640,113.54	1,152,556.42
Increase (-) / decrease (+) in current non-interest-bearing receivables		-1,657,470.55	19,521,482.73
Increase (+) / decrease (-) in current non-interest-bearing liabilities		-24,289,638.59	-4,268,382.25
Cash flow from business operations before change in financing items and taxes		**702,454,117.21**	**762,907,990.65**
Interests received from business operations		83,038.74	94,952.31
Interests paid and other financial expenses of the business operations (-)		-525,940.54	-685,818.46
Direct taxes paid (-)		0.00	0.00
CASH FLOW FROM BUSINESS OPERATIONS		**702,011,215.41**	**762,317,124.50**

EUR	Note	2021	2020
CASH FLOW FROM INVESTMENTS:			
Investments in tangible and non-tangible assets	11	-34,326,964.41	-29,712,719.08
Income from disposal of tangible and non-tangible assets		3,026,451.00	3,427,508.00
Dividends received from investments	11	84,313.65	80,944.55
CASH FLOW FROM INVESTMENTS		**-31,216,199.76**	**-26,204,266.53**
CASH FLOW FROM FINANCING:			
Settlements to the beneficiary ministries		-668,176,815.62	-716,012,718.03
Refunding of lease debts		-9,687,804.68	-10,405,517.00
CASH FLOW FROM FINANCING		**-677,864,620.30**	**-726,418,235.03**
CHANGE IN CASH AND CASH EQUIVALENTS:		-7,069,604.65	9,694,622.94
Cash and other short-term investments at the beginning of the financial year		149,287,936.01	139,593,313.07
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD		**142,218,331.36**	**149,287,936.01**

Statement of changes in shareholders' equity

EUR	Share capital	Acquisition capital	Invested unrestricted equity fund	Accumulated prize funds	Total shareholders' equity
Shareholders' equity 31 Dec 2020	**600,000.00**	**151,257,550.33**	**345,698.01**	**680,176,815.62**	**832,380,063.96**
Settlements to the Ministry of Education and Culture				-360,493,712.28	-360,493,712.28
Settlements to the Ministry of Social Affairs and Health				-292,476,030.72	-292,476,030.72
Settlements to the Ministry of Agriculture and Forestry				-27,207,072.62	-27,207,072.62
Profit for the financial year				680,014,445.78	680,014,445.78
Shareholders' equity 31 Dec 2021	**600,000.00**	**151,257,550.33**	**345,698.01**	**680,014,445.78**	**832,217,694.12**

EUR	Share capital	Acquisition capital	Invested unrestricted equity fund	Accumulated prize funds	Total shareholders' equity
Shareholders' equity 31 Dec 2019	**600,000.00**	**151,257,550.33**	**345,698.01**	**1,009,012,718.03**	**1,161,215,966.37**
Settlements to the Ministry of Education and Culture				-534,776,740.56	-534,776,740.56
Settlements to the Ministry of Social Affairs and Health				-433,875,468.75	-433,875,468.75
Settlements to the Ministry of Agriculture and Forestry				-40,360,508.72	-40,360,508.72
Profit for the financial year				680,176,815.62	680,176,815.62
Shareholders' equity 31 Dec 2020	**600,000.00**	**151,257,550.33**	**345,698.01**	**680,176,815.62**	**832,380,063.96**

Accounting principles 2021

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. Veikkaus' operations are regulated by the Lotteries Act, according to which Veikkaus Oy has the exclusive right to operate gambling in Finland. The company is also subject to regulations on limited liability companies and the State Shareholdings and Ownership Steering Act. Veikkaus provides entertaining and exciting games to Finns in a responsible, secure, and reliable manner. Veikkaus' game profits are used for the benefit of Finns through grants. The company's mission 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 gambling operations, and to support cooperation between the company and its stakeholders. The company's gambling 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 2021 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 specifically stated otherwise 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 may differ from the total amounts presented.

The financial statements were prepared for 12 months from 1 January to 31 December 2021. The Board of Directors of Veikkaus Oy approved the financial statements for publishing on 15 February 2022. According to the Finnish Limited Liability Companies Act, the Annual 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.

The most significant estimates in Veikkaus' financial statements 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. The receivables and liabilities in the balance sheet at the balance sheet date have been recognised at the closing rates. Foreign exchange differences arising from transactions denominated in foreign currencies, and from translation of receivables and liabilities, are recognised in the income statement through profit and loss.

Research and development costs

Research costs are recognised 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 IAS38 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 amortisation and impairment. Recognising the amortisation starts 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, amortisation and impairment losses. Subsequently, the cost of an asset is only capitalised 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.

The implementation costs of the systems purchased as services, as well as the other expenses, including normal maintenance and repair work, are booked as expenses once they incur.

Depreciation periods for tangible assets (years):

- Buildings and constructions 25
- Basic improvements of real estate 3–5
- Property machinery and equipment, and furniture 4
- Gaming fixtures 5–10
- Other machinery and equipment 4
- ICT devices 4

Amortisation periods for intangible assets (years):

- ICT software and capitalized research and development costs 4

Land, shares and art objects are not subject to planned depreciation.

Gains or losses arising from the disposal of tangible assets are recognised 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 whenever necessary, and as a result, an impairment loss may be recognised.

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 recognition of an impairment loss.

Tangible right-of-use assets and leases

In accordance with IFRS 16, the lessees recognise 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 recognised 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 recognised in the balance sheet as a right-of-use asset and a consequent lease liability. Service agreements are recognised as expenses in the income statement.

Lease liability:

Veikkaus recognises 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.

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 recognises 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 recognised 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 or assets of minor value as right-of-use assets recognised 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 continuation terms, when the company has enough certainty that they will be realised. Leases that are effective until further notice are considered to fall within the scope of exemptions based on 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 recognised in the balance sheet.

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

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

Inventory

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

Non-current receivables and advance lease payments

The non-current receivables include the rent paid in advance on the premises of Casino Helsinki, which is recognised as an expense in the income statement on a straight-line basis over a 20-year rental period. The last entry will be booked in 2023.

Financial assets and liabilities

Financial assets

Financial assets are classified in accordance with IFRS 9 into the following categories: those recognised at amortized cost and those recognised 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 alternative in the initial acquisition.

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

Financial assets at amortized cost

The receivables classified as belonging to the group of financial assets at amortised 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 recognised 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, at the date 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 derived 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 amortised cost. Financial liabilities at amortised cost are initially recognised at fair value. Transaction costs are included in the original carrying amount of the financial liabilities. Subsequently, the financial liabilities are measured at amortised cost using the effective interest method. Items that are measured at amortised cost may include non-current and current liabilities, trade payables and other liabilities. A financial liability or a part thereof shall only be derecognised when the debt has ceased to exist, when the obligation specified in the contract is discharged, 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, as well as the control of the use of income. The company may not distribute any dividend on its profit or on its unrestricted equity to its shareholders, nor shall its' employees receive any consideration of the 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 profit 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

According to 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 recognised in the statement of comprehensive income as statutory pension expenses. Such payments include the payments to the TyEL system.

The other pension plans are defined benefit pension plans. They are recognised 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 recognised 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 recognised 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 recognised 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 – 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 unaimed 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 and the rounding of prizes, as regulated by 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. The company assumes that, as full authentication is adopted, there will be no more funds accumulating to the fund in the future.

In multinational lottery games of joint prize categories, 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 recognised 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 recognised and entered in the balance sheet as cash and cash equivalents.

The lottery tax and the retail commissions on these items are recognised 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 as betting markets. The company also offers foreign players game events organised 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 Finnish toto games played from abroad, the betting market compensations paid by foreign gaming operators to Veikkaus affecting the turnover are recognised 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 sales commissions consist of the retail commissions paid to the partners and based on game sales, as well as of slot machine location fees. The commission rate varies according to the games.

The 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. Moreover, 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 tickets, 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 market 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 tote betting 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 or loss 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

In 2021, the lottery tax was 5.5% of the amount determined for the calendar month of the proceeds from the sales of games, less the prizes recognised 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.

According to section 59 of the Value Added Tax Act, Veikkaus' regular business 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.

The impact of COVID-19 on 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. Due to measures associated with the coronavirus pandemic, Veikkaus' slot machines were closed either completely or in part for a total of about four months in the spring. The restrictions on gambling reduced the gross gaming revenue from the slot machines both in the retail network and at Veikkaus' game arcades, which also led to a decrease in profit.

The application of new and revised IFRS standards

The analysis of the impact of the IFRIC agenda decision on cloud computing arrangements is still underway. At the date of the financial statements, Veikkaus estimated that these, or any upcoming changes to the IFRS standards, would not affect its financial statements.

Notes to the financial statements

1. Gross gaming revenue by games and game groups

EUR	2021	Share of GGR, %	2020	Share of GGR, %
CASINO GAMES				
Slot machines total	142,995,838.58	13.0	299,042,094.06	23.7
- Partner network	107,265,715.23	9.8	225,975,906.15	17.9
- Veikkaus game arcades	35,730,123.35	3.2	73,066,187.91	5.8
Other casino games	180,425,985.08	16.4	163,725,120.91	13.0
CASINO GAMES TOTAL	323,421,823.66	29.4	462,767,214.97	36.7
LUCKY GAMES				
Weekly drawn games	383,606,968.16	34.9	398,865,352.58	31.6
Daily drawn games	187,676,806.33	17.1	209,896,141.03	16.7
Scratchcards	56,382,359.26	5.1	51,652,296.21	4.1
LUCKY GAMES TOTAL	627,666,133.75	57.1	660,413,789.82	52.4
BETTING GAMES				
Betting games	86,393,843.19	7.9	74,895,756.85	5.9
Toto games	62,570,160.04	5.7	62,261,440.54	4.9
BETTING GAMES TOTAL	148,964,003.23	13.5	137,157,197.39	10.9
GAME GROUPS TOTAL	1,100,051,960.64	100.0	1,260,338,202.18	100.0

Other casino games: Digital slot machine games, physical and digital table games Weekly drawn games: Lotto, Eurojackpot, Vikinglotto, Jokeri, and Lomatonni Daily drawn games: Keno, Kaikki tai ei mitään, Synttärit, Tähdenlento, eBingo, and eInstants Betting games: Moniveto, Tulosveto, and Voittajaveto games, Pitkäveto, Live-veto, and Vakio.

2. Key indicators 2019-2021

EUR	2021	2020	2019
GGR	1,100,051,960.64	1,260,338,202.18	1,690,744,435.90
Operating profit	680,373,034.06	680,686,736.22	1,009,418,461.64
% of GGR	61.8%	54.0%	59.7%
Profit before appropriations and taxes	680,014,445.78	680,176,815.62	1,009,012,718.03
% of GGR	61.8%	54.0%	59.7%
Profit for the financial year	680,014,445.78	680,176,815.62	1,009,012,718.03
% of GGR	61.8%	54.0%	59.7%
Number of employees	1,441	1,592	1,606

3. Other operating income

EUR	2021	2020
Rental income	1,107,446.31	1,391,725.12
Proceeds from sales of fixed assets	1,752,931.05	1,366,531.97
Other income	810,148.40	719,117.30
TOTAL	**3,670,525.76**	**3,477,374.39**

4. Depreciation, amortisation and impairment

EUR	2021	2020
Buildings and constructions	6,917,345.42	14,755,806.08
Machinery and equipment	25,862,725.47	27,067,872.07
Intangible assets	4,396,468.64	8,484,440.07
Right-of-use assets	9,891,696.00	10,662,836.00
Disposal loss of fixed assets	2,072,774.49	5,579,084.82
TOTAL	**49,141,010.02**	**66,550,039.04**

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.

The premises in Leppävaara were made subject to an additional depreciation of EUR 2.1 million, as the town planning process in the City of Espoo concerning the area was still unfinished.

Veikkaus Oy carried out a round of cooperation negotiations in autumn 2021, as a result of which 14 game arcades were closed. The decision led to an impairment loss of EUR 1.0 million, associated with the basic renovation costs of the game arcades and slot machines.

5. Services purchased

EUR	2021	2020
Services purchased, ICT services	53,459,996.82	56,057,434.52
Services purchased, other	11,404,875.18	10,938,608.03
SERVICES PURCHASED	**64,864,872.00**	**66,996,042.55**
Auditors' fees included in services purchased		
Audit	82,832.00	53,816.00
Other services	170,081.72	369,573.96
TOTAL	**252,913.72**	**423,389.96**

6. Other operating expenses

EUR	2021	2020
Other advertising and marketing expenses	10,186,165.17	10,977,208.65
Real estate expenses	10,726,748.56	10,546,349.88
Banking and cash processing expenses	7,534,391.80	8,033,481.17
Other expenses	1,624,324.68	12,914,309.08
TOTAL	**30,071,630.21**	**42,471,348.78**

7. Research and development expenses

EUR	2021	2020
R & D expenses	23,208,879.00	21,520,461.00
R & D investments	3,731,663.00	4,857,210.00
TOTAL	**26,940,542.00**	**26,377,671.00**

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	2021	2020
Dividend income from long-term investments	84,313.65	80,944.55
Interest income from deposit and bank accounts	55,529.35	71,430.90
Other financial income	27,509.39	23,521.41
FINANCIAL INCOME	**167,352.39**	**175,896.86**
Interest expenses on leasing debts	373,302.00	533,795.00
Other interest expenses	152,638.67	152,022.46
FINANCIAL EXPENSES	**525,940.67**	**685,817.46**
TOTAL	**-358,588.28**	**-509,920.60**

9. Tangible assets and depreciation

2021 EUR	Land and water	Buildings and constructions	Machinery and equipment	Acquisitions in progress	Total
Acquisition cost 1 Jan 2021	3,384,017.97	111,529,284.74	206,140,025.08	1,332,849.67	322,386,177.46
Increase	0.00	8,132,242.28	19,338,089.52	861,617.60	28,331,949.40
Decrease	-751,731.60	-3,791,220.82	-20,034,682.06	-19,025.32	-24,596,659.80
Reclassification	0.00	746,588.50	567,235.85	-1,313,824.35	0.00
Acquisition cost 31 Dec 2021	2,632,286.37	116,616,894.70	206,010,668.39	861,617.60	326,121,467.06
Accumulated depreciation 1 Jan 2021	0.00	-74,946,251.73	-126,284,317.60	0.00	-201,230,569.33
Depreciation for the financial year	0.00	-6,917,345.42	-25,862,725.47	0.00	-32,780,070.89
Accumulated depreciation on disposal	0.00	2,505,346.59	18,767,179.77	0.00	21,272,526.36
Accumulated depreciation 31 Dec 2021	0.00	-79,358,250.56	-133,379,863.30	0.00	-212,738,113.86
NET BOOK VALUE 31 DEC 2021	**2,632,286.37**	**37,258,644.14**	**72,630,805.09**	**861,617.60**	**113,383,353.20**

2020 EUR	Land and water	Buildings and constructions	Machinery and equipment	Acquisitions in progress	Total
Acquisition cost 1 Jan 2020	3,821,307.96	125,701,241.09	267,420,381.95	122,059.70	397,064,990.70
Increase	0.00	1,575,072.26	21,304,280.27	1,323,877.03	24,203,229.56
Decrease	-437,289.99	-15,860,115.67	-82,584,637.14	0.00	-98,882,042.80
Reclassification	0.00	113,087.06	0.00	-113,087.06	0.00
Acquisition cost 31 Dec 2020	3,384,017.97	111,529,284.74	206,140,025.08	1,332,849.67	322,386,177.46
Accumulated depreciation 1 Jan 2020	0.00	-72,410,573.81	-179,527,953.18	0.00	-251,938,526.99
Depreciation for the financial year	0.00	-14,755,806.08	-27,067,872.07	0.00	-41,823,678.15
Accumulated depreciation on disposal	0.00	12,220,128.16	80,311,507.65	0.00	92,531,635.81
Accumulated depreciation 31 Dec 2020	0.00	-74,946,251.73	-126,284,317.60	0.00	-201,230,569.33
NET BOOK VALUE 31 DEC 2020	**3,384,017.97**	**36,583,033.01**	**79,855,707.48**	**1,332,849.67**	**121,155,608.13**

In compliance with IFRS 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 amortisation

2021 EUR	Software and capitalized development costs	*Other intangible assets	Acquisitions in progress	Total
Acquisition cost 1 Jan 2021	130,656,315.58	0.00	11,648,926.62	142,305,242.20
Increase	687,055.26	2,118,321.81	3,189,637.94	5,995,015.01
Decrease	-71,795.89	0.00	0.00	-71,795.89
Reclassification	74,273.00	0.00	-74,273.00	0.00
Acquisition cost 31 Dec 2021	131,345,847.95	2,118,321.81	14,764,291.56	148,228,461.32
Accumulated amortisation 1 Jan 2021	-122,459,380.37	0.00	0.00	-122,459,380.37
Amortisation for the financial year	-4,396,468.64	0.00	0.00	-4,396,468.64
Accumulated amortisation on disposal	54,134.89	0.00	0.00	54,134.89
Accumulated amortisation 31 Dec 2021	-126,801,714.12	0.00	0.00	-126,801,714.12
NET BOOK VALUE 31 DEC 2021	**4,544,133.83**	**2,118,321.81**	**14,764,291.56**	**21,426,747.20**

2020 EUR	Software and capitalized development costs	Acquisitions in progress	Total
Acquisition cost 1 Jan 2020	143,002,046.48	9,692,343.24	152,694,389.72
Increase	798,950.52	4,710,539.00	5,509,489.52
Decrease	-15,392,854.41	-505,782.63	-15,898,637.04
Reclassification	2,248,172.99	-2,248,172.99	0.00
Acquisition cost 31 Dec 2020	130,656,315.58	11,648,926.62	142,305,242.20
Accumulated amortisation 1 Jan 2020	-128,180,857.93	0.00	-128,180,857.93
Amortisation for the financial year	-8,484,440.07	0.00	-8,484,440.07
Accumulated amortisation on disposal	14,205,917.63	0.00	14,205,917.63
Accumulated amortisation 31 Dec 2020	-122,459,380.37	0.00	-122,459,380.37
NET BOOK VALUE 31 DEC 2020	**8,196,935.21**	**11,648,926.62**	**19,845,861.83**

*The other intangible assets are preparatory expenses associated with the new international business, which meet the IAS38 activation criteria.

11. Cash-flow from investments and investments in progress

EUR	2021		2020	
Buildings	8,693,167.41		0.00	
Slot machines	16,709,164.93		20,104,527.11	
Casino games	66,760.36		185,679.63	
Machinery and equipment	2,338,542.39		0.00	
Transportation equipment	790,857.69		1,008,520.81	
Work tools	0.00	28,598,492.78	5,552.72	21,304,280.27
Software		761,328.26		3,047,123.51
Other intangible assets		2,118,321.81		0.00
Basic improvement of real estate		185,663.37		1,688,159.32
Dividend income		-84,313.65		-80,944.55
Changes in investments in progress		2,663,158.19		3,673,155.98
TOTAL		**34,242,650.76**		**29,631,774.53**

12. Leases

The right-of-use assets recognised 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.

Right-of-use assets EUR	Land	Buildings and constructions	Total
Net book value 1 JAN 2021	145,993.00	30,427,888.00	**30,573,881.00**
Increase for the financial year	408.00	4,712,778.00	**4,713,186.00**
Decrease for the financial year	-4,641.00	-9,887,055.00	**-9,891,696.00**
NET BOOK VALUE 31 DEC 2021	141,760.00	25,253,611.00	**25,395,371.00**

Right-of-use assets EUR	Land	Buildings and constructions	Total
Net book value 1 JAN 2020	182,570.00	25,437,205.00	**25,619,775.00**
Increase for the financial year	2,959.00	15,613,983.00	**15,616,942.00**
Decrease for the financial year	-39,536.00	-10,623,300.00	**-10,662,836.00**
NET BOOK VALUE 31 DEC 2020	145,993.00	30,427,888.00	**30,573,881.00**

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 recognised through profit and loss:	2021	2020
Lease expenses for short-term leases	1,361,152.36	1,038,307.09
Lease expenses for minor leases	27,869.76	69,713.74
Other lease expenses and changing lease expenses for leases	2,004,897.87	1,186,209.64
TOTAL	**3,393,919.99**	**2,294,230.47**
Amounts recorded in the cash flow statement		
Decrease in lease debt	9,687,805.00	10,405,517.00
Interest on lease debt	373,301.87	533,795.82
Lease expenses recognised through profit and loss	3,393,920.00	2,294,230.00
TOTAL	**13,455,026.87**	**13,233,542.82**

Lease debt	31.12.2021	31.12.2020
Non-current liabilities		
Lease debt, interest-bearing	17,767,445.00	21,885,910.00
Current liabilities		
Lease debt, interest-bearing	8,503,043.00	9,359,197.00
NET BOOK VALUE 31 DEC	**26,270,488.00**	**31,245,107.00**
Expiry of undiscounted lease payments		
Within a year	8,897,101.06	9,827,874.04
Between one and five years	18,264,274.32	22,504,673.24
In more than five years	136,221.30	194,810.92
TOTAL	**27,297,596.68**	**32,527,358.20**

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

Non-current investments

EUR	2021	2020
Shares in unlisted companies	830,235.20	834,735.20
Shares in listed companies	172,628.32	172,628.32
TOTAL	**1,002,863.52**	**1,007,363.52**

Long-term receivables and advance payments

EUR	2021	2020
Security deposit, Eurojackpot	12,185,291.00	12,185,291.00
Lease advances and guarantees paid	712,996.50	1,425,993.00
TOTAL	**12,898,287.50**	**13,611,284.00**

14. Current receivables

EUR	2021	2020
Accounts receivable	12,441,648.23	11,481,100.96
Accrued income and deferred expenses	9,794,564.06	2,913,432.70
Other receivables	3,575,846.82	9,047,059.23
TOTAL	**25,812,059.11**	**23,441,592.89**

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 5,212 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.

The preparations for the international business operations have caused expenses, which Veikkaus has financed, and which must be kept separate from the monopoly activities in accordance with guidelines issued by the Ownership Steering Department of the Prime Minister’s Office. These expenses (EUR 6.7 million) were recognised as receivables in the financial statement, to be offset when the business transfer is accomplished.

Key items of accrued income

EUR	2021	2020
Unclaimed slot machine winnings	1,126,573.00	536,916.00
Other accrued income	8,667,991.06	2,376,516.70
TOTAL	**9,794,564.06**	**2,913,432.70**

15. Cash and short-term investments

EUR	2021	2020
Cash and bank accounts	74,218,331.36	81,287,936.01
Deposits and receivables	68,000,000.00	68,000,000.00
TOTAL	**142,218,331.36**	**149,287,936.01**

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 expose Veikkaus 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 investments, 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 in 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 winnings 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

EUR	Shares pcs	2021	Shares pcs	2020
Share capital	6,000	600,000.00	6,000	600,000.00
Acquisition capital		151,257,550.33		151,257,550.33
Reserve for invested unrestricted equity		345,698.01		345,698.01
Profit for the financial year		680,014,445.78		680,176,815.62
TOTAL		**832,217,694.12**		**832,380,063.96**

Acquisition capital

The acquisition capital is the company's unrestricted equity, which can be used in the distribution of the proceeds, subject to a separate decision by the Prime Minister's Office.

Reserve for invested unrestricted equity

The reserve for invested unrestricted equity is regulated by section 8:2 of the Limited Liability Companies Act.

The reserve for invested unrestricted equity is the company's unrestricted equity, which can be used in the distribution of the proceeds, subject to a separate decision by the Prime Minister's Office.

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	2021	2020
Pension liabilities in the statement of comprehensive income		
DEFINED EMPLOYEE BENEFIT LIABILITIES RECOGNISED IN THE INCOME STATEMENT		
Expenses based on service during the financial year	374,000	435,000
Net interest expenses	11,000	25,000
TOTAL	385,000	460,000
ITEMS ARISING FROM RECLASSIFICATION	1,102,000	387,000

EUR	2021	2020
RECONCILIATION OF THE NET DEFINED BENEFIT LIABILITY IN THE BALANCE SHEET		
Defined benefit obligation	18,976,000	18,211,000
Fair value of assets	-14,484,000	-13,920,000
NET DEFINED BENEFIT LIABILITY IN THE BALANCE SHEET 31 DEC	4,492,000	4,291,000
NET DEFINED BENEFIT OBLIGATION IN THE BALANCE SHEET 1 JAN	4,291,000	3,697,000
Amount recognised in the statement of comprehensive income, including items arising from reclassification for EUR 1,102,000 (EUR 387,000 in 2020).	1,487,000	847,000
Contributions to the plan paid by the employer	-1,286,000	-253,000
NET DEFINED BENEFIT LIABILITY IN THE BALANCE SHEET 31 DEC	4,492,000	4,291,000
CHANGES IN THE NET DEFINED BENEFIT OBLIGATION IN THE BALANCE SHEET		
DEFINED BENEFIT OBLIGATION 1 JAN	18,211,000	17,006,000
Expenses based on service during the financial year	378,000	437,000
Restriction of the plans	0	-2,000
Interest expenses	54,000	118,000
ITEMS ARISING FROM RECLASSIFICATION		
Actuarial gains (-) / losses (+) arising from changes in financial assumptions	406,000	1,041,000
Actuarial gains (-) / losses (+) arising from changes in experience-based adjustments	489,000	-25,000
Contracts	-51,000	0
Benefits paid	-511,000	-364,000
DEFINED BENEFIT OBLIGATION 31 DEC	18,976,000	18,211,000

EUR	2021	2020
CHANGES IN THE NET DEFINED BENEFIT OBLIGATION IN THE BALANCE SHEET		
FAIR VALUE 1 JAN	13,920,000	13,309,000
Interest income	43,000	93,000
Income from the plan assets (excluding items included in interest expenses/income)	-207,000	629,000
Reclassification	0	0
Payments made to the plan by the employer	1,286,000	253,000
Contracts	-47,000	0
Benefits paid	-511,000	-364,000
FAIR VALUE 31 DEC	14,484,000	13,920,000
The amount the company expects to pay to the defined benefit plans during the following year	191,000	1,485,000
The funds in the plan are approved insurance agreements.		
MOST SIGNIFICANT ACTUARIAL ASSUMPTIONS		
Discount rate	0.9%	0.3%
Rate of salary increase	2.2%	2.2%
Rate of pension increase	2.3%	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 recognised in the balance sheet.

EUR	2021	2020
At the beginning of the financial year	1,528,618	1,440,083
Change	-226,320	88,535
AT THE END OF THE FINANCIAL YEAR	1,302,298	1,528,618

Actuarial assumptions

Age of retirement	65
Discount rate	0.9%
Salary & inflation index	2.0%

Bonus for years of service 10, 20, 30 and 40 years
10 years: 2-week salary as a one-time payment
20 years: 2-week salary as a one-time payment
30 years: 1-month salary as a one-time payment
40 years: 1-month salary as a one-time payment

Additional leave as a one-time bonus for 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of service
5 years = 2 days off
10 years = 2 days off
15 years = 2 days off
20 years = 5 days off
25 years = 5 days off
30 years = 5 days off
35 years = 10 days off
40 years = 10 days off
45 years = 10 days off

18. Current liabilities

EUR	2021	2020
ADVANCES RECEIVED	5,107,847.77	5,253,853.17
ADVANCES FOR MULTI-WEEK SUBSCRIPTIONS	13,357,717.27	17,159,933.35
ACCOUNTS PAYABLE	14,337,390.26	15,015,483.83
CUSTOMERS' FUNDS	35,002,276.96	38,726,270.69
SETTLEMENT DEBT TO THE STATE		
Lottery tax	10,409,626.93	23,287,680.92
Withholding tax liability	1,532,468.81	1,559,072.45
Social security liability	87,155.73	77,291.32
Value added tax	832,703.08	1,509,041.39
SETTLEMENT DEBT TO THE STATE TOTAL	12,861,954.55	26,433,086.08
OTHER LIABILITIES		
Trade union payment debt	23,476.89	0.00
Enforcement debt	1,076.88	0.00
OTHER LIABILITIES TOTAL	24,553.77	0.00

EUR	2021	2020
ACCRUALS AND DEFERRED INCOME		
Accrued winnings payable	7,421,240.47	11,441,756.61
Items arising from salaries and wages	24,584,936.69	18,436,793.72
Other accrued income	15,843,754.78	18,246,350.52
ACCRUALS AND DEFERRED INCOME TOTAL	47,849,931.94	48,124,900.85
OTHER CURRENT LIABILITIES		
Prize fund	8,552,350.38	10,405,628.53
Eurojackpot fund	2,060,932.90	2,285,059.66
Other current liabilities	0.00	15,058.83
Lease debt, interest-bearing	8,503,043.00	9,359,197.00
OTHER CURRENT LIABILITIES	19,116,326.28	22,064,944.02
CURRENT LIABILITIES TOTAL	147,657,998.80	172,778,471.99

The customers' funds include unclaimed winnings 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 winnings, funds arising from the rounding of winnings, and unclaimed winnings in disposed scratchcards, which shall be distributed as winnings to players on subsequent rounds of different games in accordance with the Council of State Decree on Lotteries. In 2021, the funds accumulated in the prize fund amounted to EUR 7.7 million, and the funds were used to pay out prizes in different games for EUR 9.6 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	2021	2020
President and CEO	446,046.90	447,119.69
Other members of the Executive Team*	1,884,383.09	1,774,139.62
Board of Directors	265,503.00	281,400.00
Supervisory Board	90,700.00	92,600.00
TOTAL	**2,686,632.99**	**2,595,259.31**

* The Executive Team had 9 members besides the President and CEO in the financial period 2021. SVP, Corporate Brand started on 1 February 2021.

The salaries paid include the taxable salaries and other remuneration elements for the whole year.

The members are entitled to a performance-based incentive for the financial year 2021, the size of which will be determined after the completion of the financial statements, and which will be paid in 2022.

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.

Veikkaus did not have any extraordinary transactions with its subsidiaries (As. Oy Nilsiän Eturessu and Veikkaus Solutions Oy) or its holding company (Leia AS).

20. Leases and other contingent liabilities

EUR	2021	2020
Lease liabilities		
Items classified as operative expenses	5,919,028.47	7,413,258.24
Leasing liabilities	344,563.10	394,247.85
Other contingent liabilities	50,000.00	68,277.94
TOTAL	**6,313,591.57**	**7,875,784.03**
Lease liabilities		
Due within one year	2,544,094.63	2,670,234.02
Due in over one year but within five years	3,357,135.14	4,019,589.29
Due in over five years	17,798.70	723,437.69
TOTAL	**5,919,028.47**	**7,413,261.00**

The lease liabilities include rental of offices, business premises, depots, and parking spaces. The leases that are the most significant in value 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.

Leasing liabilities		
Due within one year	240,310.46	307,825.60
Due in over one year but within five years	104,252.64	86,422.25
TOTAL	**344,563.10**	**394,247.85**

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 2019. The guarantees will mature in 2027.

21. Preparations and launch of international business operations

Veikkaus Oy founded a subsidiary (Fennica Gaming Ltd) to pursue international business-to business operations on 19 January 2022. Founding the subsidiary, which pursues new business operations, was made possible by the new Lotteries Act entering into force on 1 January 2022. According to the new Lotteries Act, all the international business-to-business operations shall be run by the subsidiary. The Lotteries Act was passed in Parliament on 14 December 2021, and the Prime Minister's Office granted Veikkaus permission to found the subsidiary on 19 January 2022.

The international business operations can be divided into two sectors. The first sector covers Veikkaus' cooperation in the LEIA joint venture. Veikkaus holds 20 percent of the shares of LEIA, based in Hamar, Norway (Council of State Decision to grant permission for shareholding to Veikkaus 7 September 2018, VNK/S9/5/2018). LEIA is a joint venture owned by five state-owned gambling companies.

The other sector covers the preparations for international business operations that do not belong to LEIA. In this sector, the focus is on national gambling companies other than the LEIA partners.

To sum up, it can be said that Veikkaus Oy cannot pursue international business operations on its own by virtue of the effective Lotteries Act, or by virtue of the amended Lotteries Act once it has entered into force. Veikkaus' mission is still to operate gambling games in mainland Finland, and, accordingly, the expenses must be primarily associated with these operations. Any expenses and proceeds associated with other activities must be kept separate.

Launching international business activities has been part of the implementation of the strategic plan of Veikkaus. Veikkaus has explored the possibility of providing gambling products and services to corporate customers abroad as part of the company's strategic planning. This work has covered the preparation and exploration of, e.g., the organization and alternative business models, as well as the creation of a technological basis for the exportation of eInstants to LEIA's game development platform. The latter has been carried out by virtue of a permission laid down in Section 12 b of the Lotteries Act (VN/16256/2020), granted on 3 July 2020.

The preparatory stage caused expenses that are reported separately in the financial statements 2021 of Veikkaus Oy. The expenses that fulfil the IAS38 capitalisation criteria have been capitalised as fixed assets in the balance sheet, and any other expenses incurred during the preparatory stage are reported as an item of current receivables. All the expenses of the preparatory stage were transferred to the subsidiary through transfer of assets.

Veikkaus Oy transferred its international B2B entity through transfer of assets to its subsidiary Fennica Gaming Ltd. in accordance with section 52 d of the Act on the Taxation of Business Income on 28 January 2022. In return, Veikkaus Oy received shares of the subsidiary. There was no cash compensation. The transfer of assets was made at fair value, with the value of the entity transferred amounting to EUR 13.6 million.

Veikkaus is liable to pay income tax and VAT for other operations than its mission laid down in the Lotteries Act. Veikkaus forms a group with its subsidiary and will report group financial statements in accordance with the IFRS standards as of 2022.

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

Helsinki, 7th March 2022

Olli-Pekka Kallasvuo
Chair of the Board

Leena Vainiomäki	Christian Cedercreutz
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, 15th February 2022

KPMG Oy Ab

Leenakaisa Winberg, Authorised Public Accountant

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VEIKKAUS