

AXFOOD

SUSTAINABILITY REPORT 2010

The environment

– an integral part of the value chain

Customers

– a product offering for the health- and environmentally conscious

Suppliers:

– ethical and social responsibility

Employees:

A customer-oriented company culture

Society – enduring partnerships for sustainability



Corporate responsibility at Axfood – trust and value creation

Axfood is one of Sweden's leading food retail companies. The ability to take responsibility for sustainable development is essential for earning the trust of the Company's stakeholders. Axfood believes that sustainability work and sound economics go hand in hand. By being a driver of sustainability issues, Axfood creates the right offerings for its customers, which in turn leads to better business.

Axfood's goals and strategies rest on the conviction that the environment and social responsibility, a strong customer orientation, and proud and committed employees are vital driving forces in the company's value creation. Axfood strives to be an active driver of work on sustainable devel-

opment and thereby be the best in the industry.

This work rests on a foundation of Axfood's core values and Code of Conduct, along with the Company's sustainability programme, which covers environmental matters as well as social issues and animal welfare. Through strongly rooted core values and corporate responsibility, value is also created for the shareholders.

Axfood's sustainability work is based on the UN definition of sustainability – "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

Code of Conduct for business ethics

According to the Axfood Group's Code of Conduct, Axfood shall conduct its business in accordance with generally accepted business

practice and high standards of business ethics in relation to its suppliers and other business partners. To ensure uniform conduct among all employees, Axfood has had a policy that lays out the Group's position on the offering and accepting of bribes, corruption, and general collaboration within the industry. This policy is updated annually, and pertinent employees are required to certify in writing that they have read and acknowledge the policy. These include employees who have the right to authorize payments for a profit centre or who in some other way have a say in purchasing decisions for goods or services.

In 2010, 818 employees signed the policy.

Organization and implementation

Axfood takes a business approach to its work on sustainability matters. An important strategy is to integrate issues in the business



Axfood's key stakeholders consist of the groups that are affected most by and/or affect the Company's operations. The issues that are perceived as the most important by the Company's stakeholders provide guidance in the Group's sustainability and CSR work.

activities and promote involvement throughout the organization.

Axfood's Executive Committee and Head of Environment and Social Responsibility work on an overarching level with strategies, overall goals and measures, and follow-up. Sustainability matters are discussed on a regular basis by Axfood's Executive Committee.

To be able to work in an integrated fashion, it is important that the individual companies within the Axfood Group have operational responsibility for their own sustainability work. Sustainability coordinators have been appointed in all of Axfood's companies. It is also important to gradually raise the employees' competence in the area of basic knowledge about sustainability issues as well as Axfood's commercial benefit from being an industry leader in sustainability work.

Sustainability programme

Axfood's sustainability programme is an important governance tool for the Group's sustainability initiatives. The programme describes goals, strategies and follow-up of the Group's sustainability work and is revised once a year.

Axfood's sustainability programme is presented in its entirety on Axfood's website: www.axfood.com.

Precautionary principle

The precautionary principle is used in a proactive sense in the Group's sustainability work. Examples in practice are that Axfood has stopped buying both baby bottles and cash register receipts that contain BPA (bisphenol). Another example of proactive

sustainability work involves conducting environmental impact statements prior to major structural changes. Axfood also wants to offer its customers opportunities to make wise and conscious choices by working with its offering of products, such as organic and Fairtrade Certified products, and with consumer information.

Reporting

Axfood reports on its sustainability work in accordance with the Global Reporting Initiative (GRI) guidelines, Level B. Accordingly, all indicators must be relevant, correct and possible to monitor. Axfood's sustainability work is currently not subject to external audit.

AXFOOD'S STAKEHOLDERS

Owners:

Axfood shall create enduring value for its shareholders by exercising corporate responsibility.



Customers:

Axfood is striving to broaden its offering and boost sales of Enkla Vägen ("Simple Path") products – Axfood's own marking that helps customers make conscious, sustainable choices.



Employees:

Axfood wants proud and committed employees, and to be a collaborative and effective organization.



axfood



Suppliers:

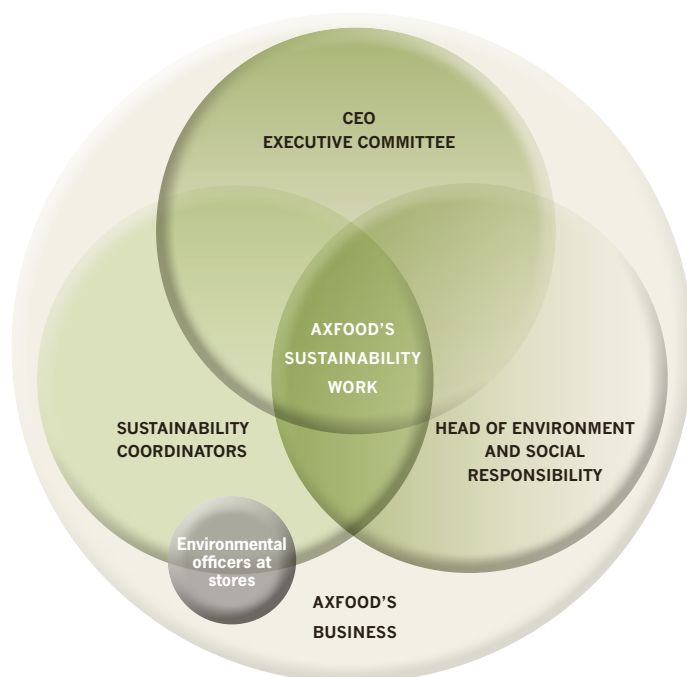
By making demands and conducting a dialogue, Axfood strives to raise the level of its suppliers' sustainability work.



Society:

Axfood strives to actively contribute to society by influencing and being responsive.

SUSTAINABILITY ORGANIZATION





The environment

– an integral part of the value chain

One of Axfood's strategic objectives is to be an active driver of sustainable development in the environmental area and thereby be the best in the industry. In the day-to-day activities, sustainability aspects are integrated with purchasing and product selection as well as with logistics, transports and product flows, store operations and waste handling.

Energy use, transports and waste handling are priority areas for Axfood's sustainability work in the environmental area. All of these areas are of major importance for Axfood's business and have major potential for improvement.

Axfood's sustainability policy integrates general principles with previously established policies regarding the environment and social responsibility. One of the targets set in the sustainability programme is for Axfood to reduce the climate impact of its own operations by 75% by 2020. A large part of this goal was achieved already in 2010, when Axfood switched over to renewable and source-labelled electricity. Starting in 2013 Axfood's intention is to change over to electricity that qualifies for the Bra Miljöval ("Good Environmental Choice") e-label.

Energy consumption

Axfood's business is conducted in large

stores and warehouses with energy-intensive installations such as refrigerators, freezer displays and stockrooms. Consequently, Axfood attaches great importance to continuous development work aimed at reducing the amount of energy consumed in its operations.

Electricity consumption for Group-owned stores and wholesale facilities¹⁾

MWh	2010	2009	2008
Retailing	304,481	289,272	281,296
Wholesaling	37,221	36,961	38,821
Total	341,702	326,233	320,117
Number of stores	230	225	226
Electricity use kWh/sq.m., stores	624	611	637
Electricity use kWh/sq.m., wholesale facilities	249	248	260
Total CO ₂ , tonnes*	13,705	36,212	39,374

¹⁾ Partly estimated values.

* Since 2010, Axfood purchases electricity from renewable sources for most of its facilities.

The energy challenge

ONE OF THE MOST AMBITIOUS OBJECTIVES in Axfood's sustainability programme is to reduce the Group's energy consumption per square metre by 30% by 2015. To achieve this target, Axfood has chosen to work on a Group-wide basis under the coordination of a management team. This management team is headed by Axfood's President and CEO. In 2010 new technology for measuring and monitoring was tested, a review was carried out of leases to make sure that financial incentives have been carried out, the stores with the highest energy consumption were identified, and work was initiated on a programme focusing on operations. The goal of reducing energy consumption by 4% per square metre in 2010 was not achieved. One reason is the combination of a cold winter and warm summer in 2010. In addition, considerable time had to be spent on fundamental matters, such as ensuring correct measurement of energy consumption. One positive example in this project is Axfood's head offices in Solna, outside Stockholm. Through simple measures – above all measuring and creating a visualization of electricity consumption per office floor – electricity consumption at the head offices was reduced by 15% in 2010.



Transports

Axfood's business requires extensive product flows. Axfood strives to ensure that these transports are long-term sustainable as far as possible.

Axfood manages its logistics flows through the subsidiary Dagab and through a central purchasing and product range function. Transports are conducted under own management via the subsidiaries Dagab and Axfood Närlivs as well as through sub-contracted freight companies. Axfood's own delivery fleet currently includes 143 vehicles.

All delivery trucks are to have well planned routes and shall always be driven as fully loaded as possible. When renewing the fleet, vehicles with the environmentally best and commercially most viable engines are to be chosen. All new delivery trucks that are purchased are equipped with alcohol ignition locks. Currently 85% of Axfood's vehicles are fitted with alcohol ignition locks.

To minimize environmental impact, Dagab and Axfood Närlivs work continuously



Target for reduced CO₂ emissions by 2020

75%

with a range of measures, including:

- Maximizing loads, i.e., making sure that delivery vehicles are always filled as much as possible
- Reducing fuel consumption by setting a maximum speed limit of 85 km/h
- Restricting use of diesel fuel to environmental grade 1.

Both Dagab and Axfood Närlivs use so-called eco-driving techniques to reduce fuel consumption by the Company's delivery vehicles, and drivers receive training in this technique. An incentive for drivers has been coupled to this: the savings obtained from lower fuel consumption are shared between the company and drivers who save fuel. The goal is that these measures will reduce fuel consumption by 10% by 2015.

With the help of a new system for managing vehicle economy, temperature monitoring and environmental reporting, called FleetTech, Dagab can monitor every single vehicle, which provides documentation for improvement measures and follow-up.

During the year, Dagab began using environmental pallets made of plastic. They are lighter than wooden pallets, easy to recycle and stackable, thereby reducing return transports, fuel consumption and CO₂ emissions.



CO₂ emissions, transports ¹⁾

Year	2010	2009	2008
Total CO ₂ , tonnes	10,198	10,476	10,680
CO ₂ kg/tonne products	21.61	24.32	25.09
CO ₂ kg/SEK m in sales ²⁾	833.83	899.96	976.72
Number of own vehicles	143	143	145

¹⁾ Total volume for Dagab's and Axfood Närlivs' own delivery vehicles – transports from own warehouses to stores.

²⁾ Pertains to delivered value using own vehicles.

CO₂ emissions, business travel

	2010	2009
CO ₂ air travel, tonnes*	762	770
CO ₂ rail travel, tonnes*	0	0
CO ₂ car travel, tonnes	772	1 030

* Pertains to business travel booked by travel agencies.

Stronger grasp on recycling

IN 2010 NEW, high-quality guidelines for waste sorting were drawn up for all fractions. The objective is to ensure that as much waste as possible is recycled and to take advantage of potential sources of revenue from sorted waste, such as shrink and stretch wrap.

A new, major procurement process that reflected this elevated level of ambition was carried out at the central level with waste management companies for all Group-owned stores.

Food waste will be sorted for biogas production in municipalities where the possibility exists.

The new waste management strategy also includes the creation of a new waste portal that will serve as an effective tool for compiling statistics on material flows.



Business travel

Axfood strives to reduce the extent of business travel. Accordingly, employees are required to always consider videoconferencing as an alternative to travel. In addition, the Group's business travel policy calls for an increase in the share of business travel by rail instead of by car or air. When choosing a company car, Axfood's employees are required to select an environmental car according to the current definitions. At present, 90% of the company car fleet is made up of environmental cars, and the goal is to reach 100% by early 2011.

Waste and recycling

All of Axfood's offices, stores and warehouses currently have waste sorting routines in place. The ambition is to improve waste sorting in all activities. Since 2002 sorting instructions have been printed on the packaging of all of Axfood's private label products.

Purchasing and product selection

The choice of products in Axfood's offering has an environmental impact in production, transport and consumption. Conse-

quently, Axfood strives to purchase products that have the least environmental impact. In addition, Axfood strives to make it easier for consumers to buy organic products.

All fruits and vegetables purchased by the Group must be certified according to the rules for integrated production. This entails taking environmental considerations into account and avoiding the use of unnecessary pesticides.

In 2010 Axfood purchased green palm oil certificates corresponding to the volume of palm oil used in the production of its private label products, or changed over to other vegetable oils than palm oil.

The use of palm oil is controversial, since in many locations, oil palm plantations have been established on land that was once rain forest. When a food manufacturer buys certificates, it entails that money goes to growers who produce palm oil using sustainable production practices.

Axfood's fish policy entails, among other things, that fish and shellfish from threatened populations may not be sold in Axfood stores. The WWF's red list is used as a guideline for which populations are threatened. The policy is dynamic and is updated in

pace with changed conditions regarding which types of fish are red-listed. In general the policy entails that the offering of eco-labelled fish is being continuously improved.

The work on drawing up guidelines for product purchasing from the perspective of environmental and social responsibility for various product categories was concluded in 2010.

PRIORITIES 2011

The work on energy efficiency improvement will continue to have high priority in 2011. The recycling project, involving improved waste sorting, will be introduced at the Group's stores during the year.

A web-based training programme that was created in 2010, focusing on environmental issues, will be extended to all employees in 2011 and 2012. Training days will be held for all environmental officers at Willys stores.

Ecolabelling of Willys

WILLYS AND THE SWEDISH SOCIETY FOR NATURE CONSERVATION (SSNC) have established a long-term collaboration dating back to 2009, where SSNC is serving as a strategic environmental partner to Willys and thus a resource in the company's sustainability work. By year-end 2010 this partnership had resulted in all Willys stores receiving the Bra Miljöval ("Good Environmental Choice") ecolabel. This work will continue in 2011 with the ecolabelling of Willys hemma stores.

The ecolabelling process involves a comprehensive review of stores with respect to product selection, waste handling and

energy efficiency. By receiving SSNC's ecolabel, Willys gains value added that is important for customers while inspiring its employees to work actively with environmental matters. An important result of the ecolabelling process is that environmental officers have been appointed at all stores to ensure that they continue to live up to SSNC's requirements.

Willys is also stepping up its campaign activity together with SSNC and is working on providing improved environmental information to its customers.

Du handlar
i en miljö-
märkt butik!



Bra Miljöval



Starting in 2011 Hemköp will be first in Sweden to offer plastic bags made of renewable material. The bags are made of “green” polyethylene, in which the main raw material is sugarcane. Plastic bags made of green polyethylene result in 70%–75% lower CO₂ emissions than ordinary plastic bags. The new bags will be available at all Hemköp stores in early 2011. (The text on the bag reads: “A green bag. Oil-free. Made of sugarcane.”)



Customers

– a product offering for the health- and environmentally conscious

Axfood's customers are growing increasingly conscious about the environment and health, and expect Axfood to meet their demands for environmentally adapted, healthy and safe foods at competitive prices. Axfood is meeting this demand with a steadily evolving range of organic, Fairtrade Certified and healthy products along with a wide array of products for diabetics and people with various food allergies.

Customers should also feel confident about the products they buy, which is why Axfood dedicates extensive attention to strict quality control, both with respect to its private label products and brand-name products from external suppliers. The Group's internal inspection programme at stores and warehouses is also contributing to food safety.

Animal welfare measures

Concern for animal welfare is prompting growing numbers of consumers to buy organic food. To meet this rising demand, Axfood has focused on offering a broader selection of organic beef and pork, which grew to 65 items during the year. Axfood sells organic meat only with Sweden's own KRAV certification, which has considerably more stringent animal welfare standards than other organic certifications.

Sales of organic meat rose 28% in 2010. During the year, source labelling was begun for the meat used in the Group's private label products, with the aim of completing this process in 2011.

In its procurement of non-organic meat, Axfood adheres to the animal welfare criteria that apply for pigs in the UK, i.e., the requirements that have been set for Danish pork that is imported by certain grocery chains in the UK.

Both PrisXtra and Hemköp have stopped selling eggs from caged hens.

Organic and Fairtrade Certified product brands

Garant Ekologiska varor is Axfood's own organic private label. The aim of the brand is to offer organic everyday foods at a reasonable price. The products are sold in all of Axfood's store concepts. At year-end the brand comprised 63 items, and it is being continuously expanded.

Garant Ekologiska products are described in more detail on a dedicated website, www.tyckomgarant.se/ekologiskt.

Axfood's Fairtrade Certified product brand – Aware – included 12 products at year-end, including coffee, tea and chocolate.

The goal of increasing the share of organic products to 3% of food sales in 2010 was not reached during the year. Consequently, complementary measures designed to improve the product range strategy will be carried out in 2011.

During the year, extensive development work was conducted to develop a line of environment-friendly nonfood products,

including soap, detergent and hair care products. This work has involved developing new and in some cases innovative products that bear the "Swan" ecolabel and allergy information, performing life cycle analyses, and climate compensating and conducting quality tests. A total of 22 products have been developed from this project and will be launched in early 2011.

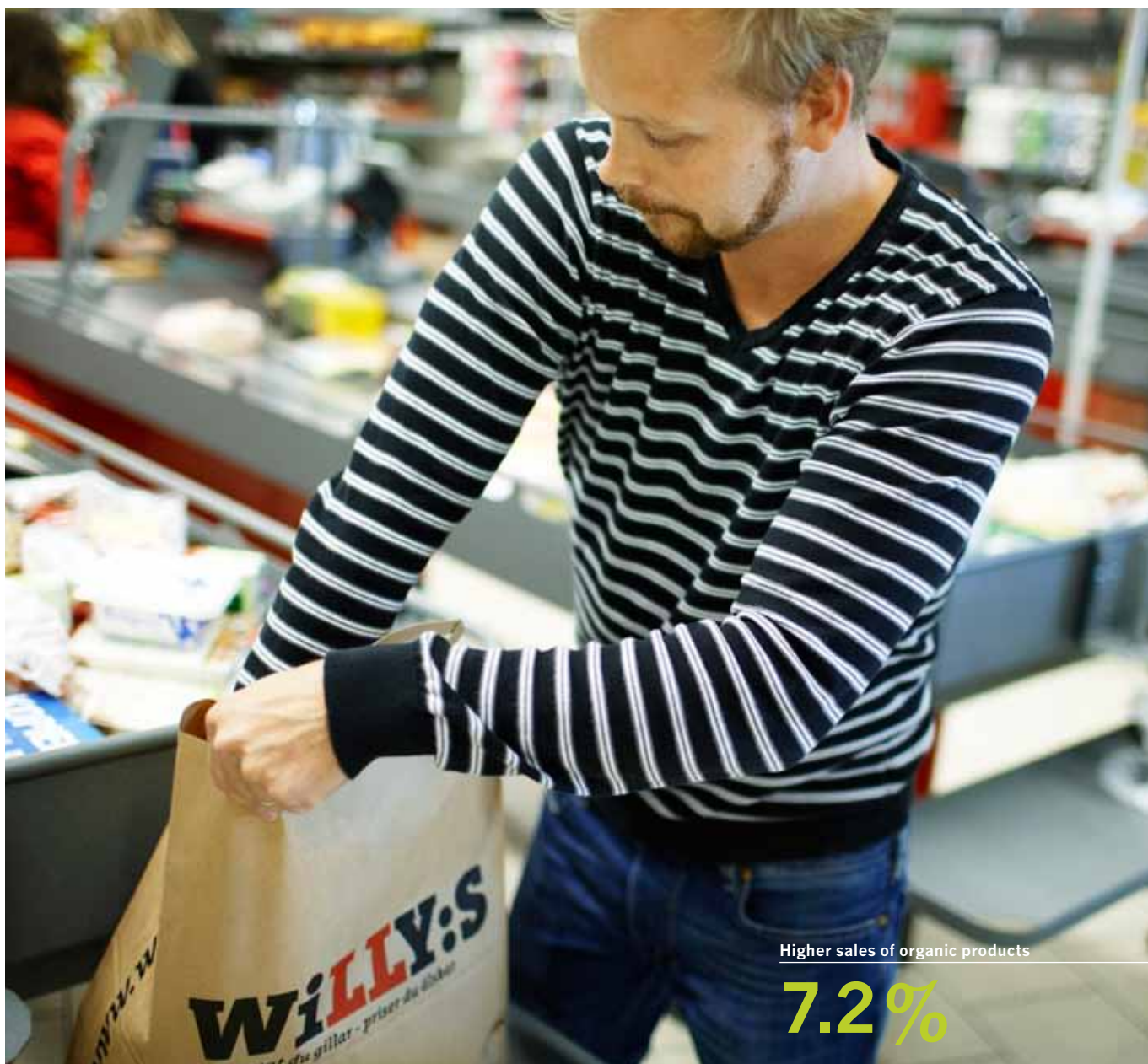
Quality assurance of private label products

Axfood's private label products are a vital part of the Group's work on offering the best possible customer benefit. Axfood has two quality levels for its private label products: mid-range, encompassing the Garant, Willys and Hemköp brands, and budget, under the Eldorado brand. Added to these are Garant Ekologiska varor (organic products) and the Fairtrade Certified brand Aware.

Regardless of product, food safety is a keystone on which no compromises can be made. Suppliers of Axfood's private label food products must have plants that are certified according to any of the standards approved by the Global Food Safety Initiative. For household chemical products, cosmetics and skin care products, ISO 9001 or GPM standards apply. For certain other nonfood products, such as toys and

	Hemköp			Willys			Willys Hemma			PrisXtra	
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009
Number of "Keyhole"-labelled products*	1,279	2015	1,551	905	1260	899	488	586	484	918	787
Sales as % of total	9.08	9.52	9.93	8.63	9.55	9.27	8.86	9.67	9.55	7.69	4.02
Number of organic products	1,108	1120	966	552	549	487	235	208	172	669	522
Sales as % of total	3.15	2.88	2.98	1.68	1.49	1.04	1.72	2.13	1.52	2.49	1.17
Number of Fairtrade Certified products	83	80	51	51	55	31	30	31	18	61	54
Sales as % of total	0.16	0.13	0.13	0.10	0.10	0.07	0.12	0.15	0.12	0.11	0.04
Number of hypoallergenic products	259	369	255	179	230	154	77	86	66	167	117

* New criteria for Keyhole labeling since June 2009.



Higher sales of organic products

7.2%

electrical appliances, documentation and certification for CE labeling are required. For products intended to come into contact with food, suppliers must be able to certify that the product is made of approved material in accordance with Normpack's rules.

For vegetables, root vegetables and fruit, Axfood purchases only from suppliers that are certified according to Global GAP or equivalent. Packing companies must be certified according to any of the standards approved by the Global Food Safety Initiative.

Suppliers that have not completed certification can request dispensation if they can present a credible timetable for certification.

To ensure the ongoing work on food safety for its private label products, each year Axfood's quality assurance inspectors conduct their own microbiological and chemical analyses of products based on the relevant risks for each individual product.

Prior to launch, every mid-range product is blind-tested by an external consumer panel of 65–80 people, and to make it all the way to store shelves, it must receive comparable marks to the market-leading product.

Budget products are blind-tested internally in Axfood's own test kitchen to ensure that they, as a minimum, are comparable to other budget products on the market.

Quality assurance of private label products

	2010	2009	2008
Product recalls from stores, private label	35	49	22
Product recalls from stores, other	54	64	70
Share of private label suppliers approved according to GFSI, %	97	94	93

Internal control programmes at stores and warehouses

Axfood is increasingly being expected to perform internal controls of various parts of its operations to ensure compliance with regulatory requirements and that its own quality standards are being met.



Internal control programmes are an important tool for such follow-up. Axfood conducts regular internal controls in the areas of food safety, product shelf life and systematic fire safety work.

Food safety

Axfood applies internal control programmes in both its retail and wholesale operations to ensure customers' right to safe food.

In cooperation with the trade organization Svensk Dagligvaruhandel and others, Axfood has participated in the creation of an internal control programme called "Safe food in your store", which has been endorsed by the Swedish National Food Administration. The programme is in place at all of Axfood's stores.

Under this control programme, stores perform certain daily controls, delivery arrival controls and temperature controls at the departmental level. Clear routines are in place for handling unpackaged foods to ensure food hygiene and the integrity of the cold chain. All controls are documented on checklists, which are kept on hand in the respective departments.

Axfood also has a Group-wide agreement with a food safety firm that visits each of the Group-owned stores four times a year.

During these visits, microbiological tests are taken and an assessment is made of the stores' internal control work. Food safety is a key control point also in concept follow-up activities, which are conducted twice a year at each store.

Municipal environment and health departments conduct inspections at both wholesale and retail facilities. In connection with these inspections, controls are made to ensure that the facilities meet the statutory requirements for food handling permits.

Alcohol, tobacco, gambling and pharmaceuticals

Sweden has a minimum legal age of 18 for the sale of tobacco, alcoholic beverages and over-the-counter pharmaceuticals. The same applies for all types of gambling and for certain types of lotteries. In its Group-owned stores Axfood has chosen to not sell lottery tickets to youths under 18 years of age. Axfood has also set a minimum age of 15 to purchase energy drinks at its stores.

To ensure compliance with minimum age requirements, Axfood conducts its own internal control programme for age-restricted products, consisting of staff training and routines for verifying ages. Axfood requires all checkout employees to check

IDs of customers purchasing age-restricted products who appear to be 25 or younger. Internal controls are also conducted that measure stores' performance in requesting customer IDs in accordance with this policy.

Ethical exclusions

In its wholly owned stores, Axfood has decided to refrain from selling products that are incompatible with the Company's values. This includes magazines with a pornographic content as well as cider and so-called alcopop (fruit drinks with an alcohol content of more than 2.25%). Nor are concentrated energy drinks (shots) sold in Axfood stores.

PRIORITIES 2011

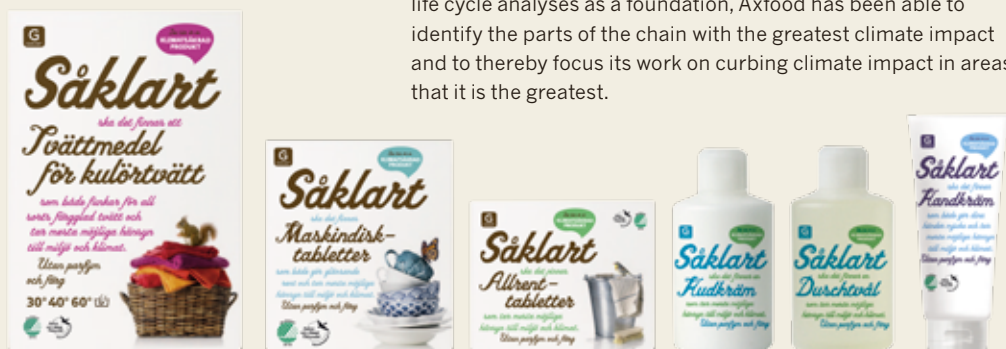
Axfood will continue to prioritize higher sales of organic products, with the goal that they will account for at least 6% of total food sales by 2015.

Consumer information about fish, shellfish and the environment will be improved – especially climate information for Willys customers.

Life cycle analyses reduce climate impact of Axfood's private label products

AXFOOD ALWAYS STRIVES FOR as little climate impact as possible from its operations. To identify the greatest sources of carbon dioxide emissions in the production chain of Axfood's private label products, detailed life cycle analyses have been conducted of 32 products with the help of Tricorona Climate Partner and the Swedish Institute for Food and Biotechnology (SIK). To obtain the most accurate calculations possible, the entire life

cycle has been analysed: production, packaging, transports and stock-keeping. The analyses looked at the entire journey from primary production at Axfood's subcontractors to the customers who buy the products at any of Axfood's stores. With these life cycle analyses as a foundation, Axfood has been able to identify the parts of the chain with the greatest climate impact and to thereby focus its work on curbing climate impact in areas that it is the greatest.





Suppliers – ethical and social responsibility

Axfood's relations with suppliers are to be characterized by generally accepted business practices and high standards of business ethics. At the same time, it is important to make sure that suppliers of both products and services comply with national laws and regulations and that international conventions are respected.

A guiding point in these relationships is the Company's Code of Conduct, which is based on internationally recognized conventions on human rights and workers' rights as well as international environmental regulations. The Code of Conduct lays down Axfood's position and commitment to its suppliers as well as to the Group's own employees and other partners.

Companies that supply products or services to Axfood Group companies are required to meet the requirements stipulated in the Code of Conduct. In addition, all suppliers of products and services are responsible for ensuring that their subcontractors also meet the Code's requirements.

Human rights inspections

Axfood's Code of Conduct stipulates that suppliers that produce goods for Axfood's stores must be in compliance with the UN's

and ILO's conventions on human rights and rights of the child.

Together with local auditors, Axfood visits production facilities of selected suppliers to see how well they comply with the laws in their own countries with respect to workers' rights and working conditions, as well as with the above-mentioned conventions. These visits are based on SA 8000, the internationally recognized standard for social audits. Axfood's primary focus is on such factors as child labour, workers' rights, work environment and housing conditions.

The number of inspections has been increased gradually, and follow-up measures have been improved, such as through repeat visits that are to be carried out within a year. A systematic risk country assessment has been produced, based on a number of different indexes. This assessment provides documentation for priorities regarding inspections and also serves as a guide in purchasing.

Deviations from laws and conventions are addressed in a dialogue between Axfood and the supplier and lead in most cases to improvements at the companies visited. In the event no improvements are made, Axfood terminates the cooperation.

Axfood's representative office in Shanghai plays a key role in improving risk assessments. The office participates

in purchasing from China and Southeast Asia, builds up supplier contacts and monitors developments in markets in China and Southeast Asia. The office serves as a vital resource in recruiting good suppliers and avoiding quality problems as well as doing business with suppliers that do not live up to Axfood's Code of Conduct. Staff members at the office have received training in Axfood's Code of Conduct and knowledge about social audits, but do not perform the actual audits themselves.

A total of 12 inspections were made in 2010, including a tea plantation in India and a clothes factory in China.

Imports of private label products from various regions

	No.	Shares
Europe incl. Sweden	2,650	92.6%
Asia	201	7.0%
Africa	0	0.0%
North America	8	0.3%
South America	2	0.1%
Total	2,861	

PRIORITIES 2011

Double the number of social audits compared to 2010.

Audit of a Swedish cleaning contractor

IN 2010 AXFOOD made an improved assessment of which countries are risk countries with respect to social conditions and the environment. The aim is to set better priorities for SA8000 audits of contractors.

However, the risks vary not only from country to country, but also between industries. One industry that Axfood has identified as being at risk is the cleaning industry. Accordingly, an audit was conducted of a large cleaning contractor for Willys in Sweden.

The audit of the cleaning company identified a number of deficiencies that need to be addressed, even though no serious

adverse conditions were discovered. An action plan was drawn up in consultation with the cleaning company.

A follow-up inspection in summer 2010 showed that the audit had produced positive results. Apart from the fact that conditions at the cleaning company improved as a result of the audit and follow-up inspection, Axfood and its companies have also sent an important signal to others in the industry that they are serious about ensuring that cleaning companies work in accordance with Axfood's Code of Conduct.



Amount donated to Save
the Children together with
Axfood's customers

SEK 2 m

Society – enduring partnerships for sustainability

Axfood participates on a regular basis in consultations and discussions with public agencies on current issues. Above all it is the Swedish National Food Administration, the Swedish Board of Agriculture and the Swedish Environmental Protection Agency whose purview concerns Axfood's operations.

Industry-wide matters are conducted within the framework of the trade organization Svensk Dagligvaruhandel, which has its own environmental council. Examples of activities include standards as well as how to implement EU legislation in Sweden's national regulatory framework. Other trade organizations, such as for packaging and newspaper recycling, are also contact interfaces with society at large.

The Haga Initiative

Axfood is one of the initiative-takers behind the so-called Haga Initiative, a climate network dedicated to reducing emissions from industry, promoting the climate issue and acting as a model for companies that take active responsibility on climate concerns.

One requirement for membership is that the company commits itself to reducing its emissions by at least 40% by 2020. Axfood's target is to cut its emissions by 75% by 2020.

Eight companies have joined the Haga Initiative: Coca-Cola Enterprise Sverige, Fortum Värme, JM, Procter & Gamble Sverige, Stena Metal, Svenska Statoil and Vasakronan. The network is coordinated by Tricorona.

Diversity network

During the year, the Diversity Charter Sweden network was launched, with Axfood as one of the initiative-takers. The aim of this company network is to share knowledge and experience surrounding diversity and thereby contribute to successful and profitable work with diversity issues. Axfood sees employee diversity as a key to success and profitability, and therefore strives for an embracing and inclusive company culture that will enable the Company to fully benefit from all its employees' experience and competence.

Membership in the Diversity Charter entails that all member-companies sign a contract that they will work actively with diversity based on set targets.

The Diversity Charter was founded in France in 2004 and is active in several other European countries, with thousands of member-companies. Other initiative-takers include A-Search, Lectia, L'Oréal, Managing Diversity, Novartis, Scandic, Sodexo, Skanska and Volvo Car Corporation.

Retailers' safety work

Handelns Säkerhetsgrupp (HSG), in which Axfood is a member, is a non-political association for security officers from retail chains throughout Sweden. On behalf of the retail industry, HSG lobbies decision-makers and the media on security issues and strives to promote cooperation between its members in developing security work. The overall objectives of security work are to create greater security for employees and customers, and to create conditions for greater profitability.

Non-profit organizations

Axfood's intention is to establish long-term partnerships with non-profit organizations on sustainability initiatives, such as the Swedish Society for Nature Conservation (SSNC), WWF and Greenpeace. In 2010 discussions were held with SSNC, WWF, Greenpeace, Animal Rights Sweden and Fairtrade.

Axfood is also a member of the Roundtable on Sustainable Palm Oil (RSPO), as part of its effort to contribute to protecting the world's rain forests. RSPO's mission is to establish a credible and practical system for trading in certified palm oil.

Since December 2009 Axfood has served as a partner with Save the Children Sweden, entailing a large number of activities at Axfood stores for a long time to come. In 2010 this included fitting can and bottle recycling machines with a "donate" button so customers can donate their deposit money to Save the Children. At year-end 2010 Axfood was Save the Children Sweden's second largest sponsor.

Axfood does not side with any political parties in the positions it takes on various issues.

Cooperation and membership in organizations

Carbon Disclosure Project	Roundtable on Sustainable Palm Oil
CSR Sweden	Swedish Association of Environmental Managers
Diversity Charter Sverige	Swedish Society for Nature Conservation
Global compact	Save the Children
Haga Initiative	SOS barnbyar Sverige
Handelns Säkerhetsgrupp	



Rädda Barnen

Save the Children Sweden

Main sponsor of Save the Children

IN SPRING 2010 AXFOOD became a main sponsor of Save the Children Sweden. Axfood supports Save the Children's important work on promoting children's rights to secure education through the Rewrite the Future educational campaign in Ivory Coast. During the spring, Axfood also helped collect donations to earthquake-ravaged Haiti.

Willys and PrisXtra customers can choose to donate their can and bottle deposits to Save the Children. During the year, Willys customers thereby donated more than SEK 1 m to relief work in Haiti and education in Ivory Coast.

During the autumn, Hemköp and Willys conducted a store campaign in which one krona was donated to Save the Children for each krona of Garant Ekologiska products sold. This campaign raised SEK 235,000 for Save the Children.

As one of the leading independent children's rights organizations in the world, Save the Children is dedicated to ensuring children's rights to food, shelter, healthcare, education, and a life without violence, assault and exploitation.



Number of e-learning courses conducted since 2008

50,000

Employees – a customer-oriented company culture

Axfood wants proud and committed employees who work according to the Group's core values in a collaborative and business-driven organization.

Nurturing a dynamic and shared foundation of values is central to achieving success. This applies for establishing a customer-oriented company culture as well as for developing leadership and attitudes that strengthen entrepreneurial spirit.

Through knowledge-sharing, training and dialogue, Axfood strives to create consensus on matters such as employeeship, leadership and customer service. Training in sales and service is designed to boost employees' customer focus and commitment to sales. The Group's Employee Satisfaction Index provides documentation for improvements and development of leadership.

To promote the retail sector as an attractive place to work and ensure succession – both internally and externally – Axfood also emphasizes equality and diversity, health and balance, trainee and internship positions, and competence development of managers in its recruiting.

Equal treatment and diversity

Axfood has a Group-wide equal opportunity and diversity policy. Based on this, all companies within the Group are required to draw up plans to support their local equal opportunity and diversity work. Diversity in society shall also be reflected in diversity among Axfood's employees.

Axfood has an explicit objective of achieving an even gender balance in leadership positions, entailing representation of men and women within a span of 40%–60% by 2015 at the latest. The Group is working toward this goal using standardized processes for recruitment and management succession.

During the year, Axfood's CFO Karin Hygrell-Jonsson received an award as ESM Business-woman of the Year by European Supermarket Magazine.



Growing with Axfood

The Axfood Academy is the Group's centre for seminars and trainee programmes. The Academy provides training to all employees as well as development programmes for managers within the Group. In 2010, 1,890 employees participated in a total of 3,850 days of training. E-learning has emerged as a cost-effective and environmentally friendly form of training, which can be extended to all employees despite their broad geographic spread across the country. Since the introduction of this form of training in 2008, 50,000 courses have been completed, and more than 3,500 employees are today certified in knowledge about store operations and perishables.



Courses in sales and service increase employees' customer focus and involvement in selling. Instructor-led courses and e-learning at stores give employees both knowledge and security in order to better meet customers' needs. Mandatory in-store seminars for office employees

increase cooperation and understanding between support functions and stores.

Recruitment training for managers is a standing feature of the Axfood Academy's course offering. The aim is to achieve better and more cost-effective recruitment, where the competence and profile of newly recruited employees better matches the Group's needs.

Axfood takes a structured approach to management succession within the Group in order to meet future competency needs. Every year an inventory is taken of potential leaders within the Group and of which employees are ready to take on a leadership position.

To ensure access to talented store managers, every year a trainee programme is carried out for 12–14 prospective store managers. The programme combines theory, practical training and project work and caters to employees who show an interest in developing toward greater challenges.

A Group trainee programme is also in place, which is designed to ensure access to competent and committed employees with a broad base of knowledge about Axfood's operations. A new aspect of the 2010 programme is that half of the participants were recruited internally and the other half externally.

Health and balance

Axfood's employees are encouraged to take parental leave, and the Company tops up the state benefit to ensure that employees receive 80% of their salary during leave if their salary exceeds the ceiling amount provided by the social insurance office. Employees are also encouraged to participate in exercise activities, through a fitness subsidy from Axfood.

All Axfood employees are to participate in an annual development review with their immediate superior.

Company health services are provided in close proximity to the respective workplaces with a primary focus on preventive care.

Axfood conducts systematic work environment and safety activities in all operations to ensure safe and sound workplaces. This work,

which involves all employees, is based on identifying risks as early as possible and ensuring that business is conducted in compliance with the Work Environment Act and the regulations of the Swedish Work Environment Authority. Reporting is conducted to the respective companies' boards to guarantee that work environment matters are brought to the attention of management at the respective companies.



Satisfied employees

In autumn 2009 a new form of employee survey was introduced to measure the work climate, with leadership as an important component. In 2010 this survey served as documentation for feedback, dialogue and improvements. With the help of an effective work tool, the culture of the organization is being mapped out, which in turn will serve as documentation for improving the work group.

A sales premium that was decided on in 2009 was introduced at Axfood's stores during the year.

The company Universum, which works with activities surrounding attractive places to work, nominated Axfood as the newcomer of the year in its Young Professionals category.

Axfood's Head of HR, Louise Ring, was nominated for the HR Manager of the Year award by Management Events.



All Axfood employees covered by collective agreements

Depending on what business they are engaged in, Axfood AB and its subsidiaries are bound by at least one of the three nationwide collective bargaining agreements that exist for the retail trade, the wholesale trade, or salaried employees. The union counterparts for the first two of these are the Commercial Employees Union, and for the last one Unionen. All employees are covered by collective bargaining agreements, since individual employment contracts refer to such agreements with respect to general terms of employment. The collective agreements stipulate the minimum level of benefits. Thus in certain areas more favourable terms may exist than those stipulated by collective agreements.

The collective agreements contain rules on notice periods whose length varies from one to twelve months, depending on the employee's age and length of employment. They also describe the importance of performance reviews for identifying a need for competence-raising measures.

In 2010 new, two-year collective agreements were signed with the Commercial Employees Union and Unionen.





Focus on the environment in new training initiatives

KNOWLEDGEABLE AND COMMITTED EMPLOYEES are a prerequisite for Axfood to be the best in the industry in sustainable development.

Toward this end, during the year Axfood developed a Group-wide environmental training programme that is also extended to proprietor-operated stores. The goal is to instil in all employees a fundamental understanding of Axfood's sustainability programme and knowledge in order to be able to answer customers' questions. The training follows a product's path from the supplier, via transport to stores and then home to the customer. Focus is on product ecolabelling and the importance of sorting packaging material.

According to plans, 70% of employees shall have completed the training by year-end 2011, with the remainder completing the training in the following year.

PRIORITIES 2011

Start implementation of Axfood's environmental training programme on a broad front in stores, offices and warehouses.

To promote the retail sector as an attractive place to work, Axfood will open up its workplaces for high school internships.

Activities will be carried out to increase diversity in the workplace and reduce sickness-related absences.

Preparations will also be made in 2011 to introduce a central HR support function to serve all employees in the Group.

Employee statistics

	2010	2009	2008
Work attendance, retail, %	95.4	94.9	94.7
Work attendance, wholesale, %	93.9	93.9	93.5
Work attendance, staffs	97.3	97.1	97.1
Employee turnover rate, %	11.8	9.8	8.4
Men/women, %	10.8/12.6	9.5/10.0	8.9/8.1
Age category, <29, %	16.2	13.2	9.4
Age category, 30-49, %	8.8	7.1	7.9
Age category, >50, %	12.3	10.3	8.3
Average service time, years	9.1	8.9	8.7
Number of full-time employees	4,332	3,840	4,178
Number of part-time employees	3,486	4,298	3,257
Average number of employees	6,895	6,816	6,847
Number of men	3,214	3,135	3,112
Number of women	3,681	3,681	3,735



GRI Report – Level B

Axfood reports on its sustainability work in accordance with the Global Reporting Initiative (GRI) guidelines, level B. Axfood uses the Global Compact principles for its sustainability work. The calculation methods for carbon dioxide emissions are based in part on the guidelines outlined in the Haga Initiative, which are based on the GHG protocol. The calculation method used in the Haga Initiative is described in more detail on Axfood’s website: www.axfood.se.

The sustainability indicators listed below cover Group-owned retail and wholesale operations. The Group’s franchise stores currently do not report sustainability data centrally to Axfood and are therefore not covered by the report. The same applies for external transport contractors in the wholesale operations. In this respect, the

report does not differ from Axfood’s previous reports and the methods used there. However, certain emission factors have changed compared with the preceding year. In contrast to a year ago, the reporting of EN16 does not include refrigerants. Axfood is reviewing its data collection method for this.

During the year, Axfood was not issued any fines for sanctions against environmental legislation, food safety or other legislation.

The table below shows where the information is presented in the Annual report 2010. In addition to the profile and governance data prescribed by the GRI, the table covers all core indicators as well as the complementary indicators that are judged to be relevant for Axfood. The symbols show if the respective indicators are complete.

Axfood	Page reference (AR)	Degree
Profile		
1. STRATEGY AND ANALYSIS	31	
1.1 CEO statement	2	■ ■ ■
1.2 Description of key impacts, risks and opportunities	5, 13–15, 50–51	■ ■ ■
2. ORGANIZATIONAL PROFILE		
2.1 Name of the organization	Cover flap	■ ■ ■
2.2 Primary brands, products, and services	Cover flap, 16–17, 11	■ ■ ■
2.3 Operational structure of the organization	Cover flap, 16–17	■ ■ ■
2.4 Location of organization’s headquarters	Back cover	■ ■ ■
2.5 Countries where the organization operates	Cover flap	■ ■ ■
2.6 Nature of ownership and legal form	Cover flap	■ ■ ■
2.7 Markets	Cover flap	■ ■ ■
2.8 Scale of the organization	Cover flap	■ ■ ■
2.9 Significant changes during the reporting period	2	■ ■ ■
2.10 Awards received during the reporting period	41, 42	■ ■ ■
3. REPORT PARAMETERS		
Report profile		
3.1 Reporting period	46	■ ■ ■
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3.3 Reporting cycle	46	■ ■ ■
3.4 Contact point for questions regarding the report	106	■ ■ ■
Report scope and boundary		
3.5 Process for defining report content	30–31	■ ■ ■
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3.8 Basis for reporting on joint ventures, subsidiaries, etc.	77–78, 108	■ ■ ■
3.9 Data measurement techniques and calculation principles	76–84, 108	■ ■ ■
3.10 Explanation of the effect of any restatements of information provided in earlier reports	108	■ ■ ■
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	76–77, 108	■ ■ ■
GRI content index		
3.12 Table identifying the location of the Standard Disclosures in the report	108–109	■ ■ ■
3.13 Policy and current practice with regard to seeking external assurance for the report	31	■ ■ ■

Axfood	Page reference (AR)	Degree
4. GOVERNANCE, COMMITMENTS & ENGAGEMENT		
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4.2 The Chairman of the Board’s role in the organization	59	■ ■ ■
4.3 Independent and/or non-executive board members	59–60	■ ■ ■
4.4 Mechanisms for shareholders and employees to provide recommendations to the board	59	■ ■ ■
4.5 Principles for compensation to senior executives	61–62	■ ■ ■
4.6 Processes for avoiding conflicts of interests in the board	59–60	■ ■ ■
4.7 Processes for determining the qualifications of board members	59	■ ■ ■
4.8 Mission, values, Code of Conduct, etc.	6, 30	■ ■ ■
4.9 The board’s monitoring of the sustainability work	57, 62–63	■ ■ ■
4.10 Processes for evaluating the board’s own performance	59	■ ■ ■
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4.11 Explanation of whether and how the precautionary principle is applied	30–31	■ ■ ■
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4.13 Memberships in associations	40	■ ■ ■
Stakeholder engagement		
4.14 List of stakeholder groups	30	■ ■ ■
4.15 Basis for identification and selection of stakeholders with whom to engage	31	■ ■ ■
4.16 Approaches to stakeholder engagement	30	■ ■ ■
4.17 Key topics and concerns that have been raised through stakeholder engagement	30	■ ■ ■
5. ECONOMIC INDICATORS		
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EC2. Risks and opportunities for the organization due to climate changes	5, 13–15	■ ■ ■
EC3. Coverage of the organization’s defined benefit plan obligations	93	■ ■ ■
EC4. Financial assistance received from government	92	■ ■ ■
EC6. Policy, practices, and proportion of spending on locally-based suppliers		■ ■ ■
EC7. Local hiring and proportion of senior management hired from the local community	41	■ ■ ■
EC8. Infrastructure investments and services provided for public purposes		■ ■ ■

Axfood	Page reference (AR)	Degree
6. ENVIRONMENTAL PERFORMANCE INDICATORS		
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EN17. Other relevant indirect greenhouse gas emissions, and result	32–33	
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EN19. Emissions of ozone-depleting substances		
EN20. NO, SO, and other significant air emissions, by weight per type		
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Axfood	Page reference (AR)	Degree
LA8. Percentage of employees covered collective bargaining agreements		
LA9. Minimum notice period(s) regarding operational changes	42	
LA10. Percentage of total workforce represented in formal joint management-worker health and safety committees	41	
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PR3. Type of products and service information required by procedures, and percentage of products subject to such information requirements	36–38	
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* Pertains to trading operations, not staff functions at head offices.

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