

# AXFOOD

SUSTAINABILITY REPORT 2011

**-30%** reduced energy use  
per square metre by 2015

**Axfood's goal is to be climate neutral by 2020**

**Employee Satisfaction Index score of at least 90%**



SUSTAINABILITY REPORT 2011

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## Axfood's sustainability goals

Axfood's sustainability programme covers a multitude of goals and sub-goals for both the near- and long term. Initiated in 2009, the programme is being developed in pace with the achievement of objectives and the emergence of new opportunities. A sampling of the programme's points are outlined below. The entire sustainability programme can be downloaded from [axfood.se](http://axfood.se)

### Climate neutrality is the goal

Axfood's goal is to be climate neutral by 2020. The sub-goal is to reduce energy use by 30% per square metre by 2015 (base year 2009).

#### Outcome 2011

At year-end 2011, Axfood's energy use had decreased by 0.3% per square metre compared with 2009 in the premises in which measurement was possible. The reduction plan includes a review of lighting, ventilation, refrigeration and heating.

During the year, work was begun on evaluating the opportunity to install solar cells on the roofs of all warehouse buildings.

### Maximum material recycling shall be profitable

All warehouses and Group-owned stores are to work with extensive waste sorting covering all fractions, including biologically treatable waste and other waste.

All companies in the Group should achieve better profitability in sales of waste fractions to material recycling contractors.

#### Outcome 2011

A Group-wide system was implemented for sorting of all waste fractions, which are handled by three external contractors. A new portal was opened, where the contractors are to report what they have collected. This has made it possible to formulate quantitative goals and follow up waste sorting on a continuous basis.

### Efficient, climate-adapted transports

Dagab and Axfood Närlivs should reduce their CO<sub>2</sub> emissions from fuel by 20% per tonne of goods by 2015, from Group-owned vehicles. A further goal is to reduce fuel consumption by 10% by 2015.

#### Outcome 2011

During the period 2009–2011, both companies reduced their CO<sub>2</sub> emissions from fuel by 18.7% per tonne of transported goods compared with 2009.

During the year both companies began using Evolution diesel, which is partly based on pine oil. In 2011 Dagab increased its use of rail transport for products coming in to its warehouses from suppliers in Sweden as well as from other European countries.



### Responsible production

All of the Group's suppliers in high-risk countries have been required to undergo a social audit by 2013 at the latest. One hundred per cent of the palm oil used in Garant products shall be sustainability certified by 2015.

### Outcome 2011

New purchasing guidelines, including life cycle analyses, have been gradually introduced in purchasing work and will continue in 2012.

In 2011, 17 social audits were performed, including two in Sweden.

Axfood continued to purchase palm oil certificates for the volume of palm oil used in the Group's own products.

### Healthy, equal and knowledgeable employees

Axfood shall maintain a work attendance rate of at least 95% and an Employee Satisfaction Index score of at least 90%. By 2015 the Company shall have achieved an even gender balance in management positions, i.e., within a span of 40%–60%. All employees shall have completed basic environmental training by 2012 at the latest.

### Outcome 2011

Work attendance during the year was 95.3%.

The employee survey conducted during the year showed an Employee Satisfaction Index score of 92%.

The share of women in management positions was 21.6% at year-end.

At year-end 2011, 82% of employees had completed basic environment training. At Willys, which has the largest number of employees, everyone had completed this training by year-end.

### Goals and outcome

%	2011	2010
Reduce climate impact by 75% by 2020 (base year 2009)	-20.8	-47.5
Reduce energy consumption by 30% per square metre in premises by 2015 (base year 2009)	-0.3	+2.1
Dagab and Axfood Närlivs: Reduce CO <sub>2</sub> emissions from Group-owned vehicles by 20% per tonne of transported goods (base year 2009)	-18.7	-11.2
All employees to have completed basic environmental training by 2012	82.0	-
Maintain work attendance rate of at least 95%	95.3	95.2
Maintain Employee Satisfaction Index score of at least 90%	92.0	86.0
Achieve even gender balance in management positions by 2015	21.6	19.4

Axfood is one of Sweden's leading food retail companies. The ability to take responsibility for sustainable development is essential for maintaining 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 responsibility – goal is to be best in the industry

Axfood's goals and strategies rest on a 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 development 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 pro-

gramme, 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 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 adheres to a policy that lays out the Group's position on the offering and accepting of bribes, corruption, and general collaboration within

## AXFOOD'S STAKEHOLDERS

Axfood's most important stakeholders are the groups of people who are affected most by and/or affect the Company's business. The issues that are perceived by these stakeholders as being the

most important provide guidance in Axfood's work with sustainability and corporate social responsibility.

### Owners:

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



### Customers:

Axfood aims to offer its customers a wide range of environmentally adapted, healthy and safe products at competitive prices.

### Employees:

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



### Suppliers:

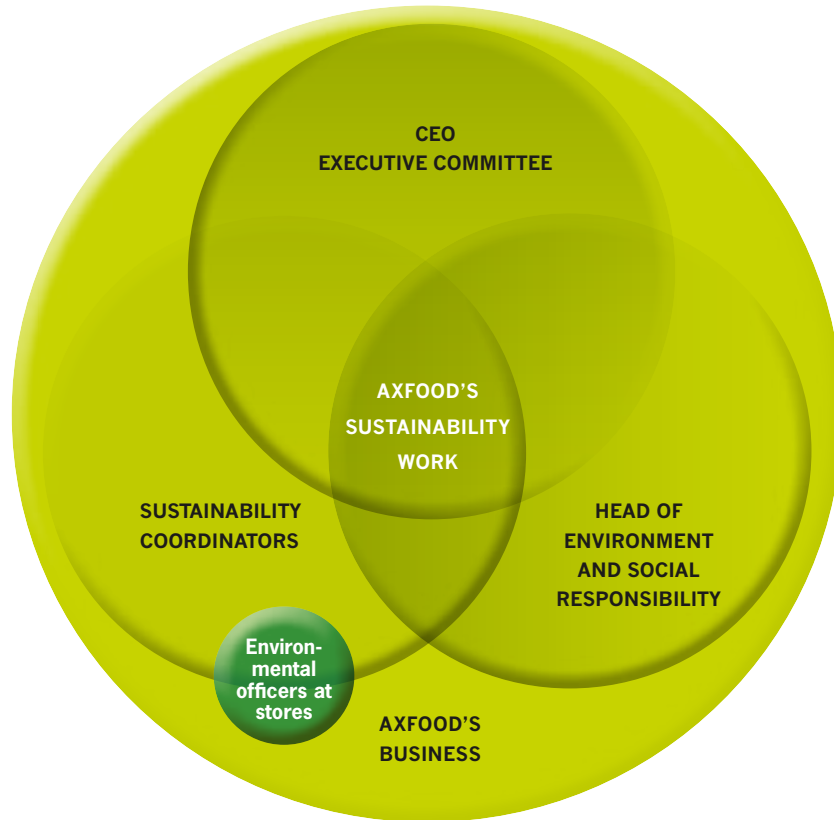
By making demands and conducting a dialogue, Axfood strives to raise the level of its suppliers' sustainability work.



### Society:

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

## SUSTAINABILITY ORGANIZATION



the 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 2011, 910 employees signed the policy.

### Organization and implementation

Axfood takes a business approach to its work on sustainability matters. A key strategy is to integrate issues in the business activities and to 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.

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 sus-

tainability 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. During the year, the focus on environmental training continued throughout the Group. To date, 82% of all employees have completed the training, which aims to impart a fundamental understanding of Axfood's sustainability programme.

### 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 can be read in its entirety at [axfood.com](http://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 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. All indicators must be relevant, correct and possible to monitor. Axfood's sustainability work is currently not subject to external audit.



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, product flows and store operations.

# The environment – focus on the climate and recycling

Energy consumption, transports and recycling systems 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. Energy consumption has particularly high priority, since the cost of electricity as a percentage of total costs is rising.

## Energy consumption

One of the goals set in Axfood's sustainability programme is for Axfood to be climate-neutral by 2020. The most important means of achieving this goal is to reduce the Company's own climate impact. A transition to renewable electricity has already been carried out. Important work lies ahead primarily with energy efficiency improvement and a change-over to refrigerants that do not have an adverse climate impact. Following a procure-

ment process carried out in 2011, a system for detailed measurement and control of electricity consumption is being installed in all Group-owned stores. This system will enable central control and follow-up towards the goal of reducing energy consumption by 30% per square metre by 2015. In addition, the store chains' competency in the area of energy will be strengthened at the central level in 2012.

Dagab plays a highly important role in the work on reducing energy use. As recognition of its success in this area, in 2011 the company was named as Climate Comet of the Year and was also the recipient of Haninge municipality's 2011 environmental award. During the year, Dagab took steps together with property owners to reduce its electricity consumption. Among other measures, the opportunity to install solar cells for electricity generation on warehouse roofs is being evaluated.

## Electricity consumption for Group-owned stores and wholesale facilities<sup>1)</sup>

MWh	2011	2010	2009
Retailing	291,741	304,481	289,272
Wholesaling	34,694	37,221	36,961
Total	326,434	341,702	326,233
Number of stores	237	230	225
Electricity use kWh/m <sup>2</sup> , stores	609	624	611
Electricity use kWh/m <sup>2</sup> , wholesale facilities	233	249	248
Total CO <sub>2</sub> , tonnes <sup>2)</sup>	26,822	13,705	36,212

<sup>1)</sup> Partly estimated values.

<sup>2)</sup> Renewable electricity since 2010 for most of Axfood's facilities. The emissions factor for the remaining facilities with a Nordic residual mix was 320 g CO<sub>2</sub>/kWh, compared with 185 g CO<sub>2</sub>/kWh in 2010.

## The energy challenge

**ONE OF THE MOST AMBITIOUS GOALS** in Axfood's sustainability programme is to reduce the Group's energy consumption by 30% per square metre by 2015. To achieve this goal, Axfood has decided to work on a Group-wide basis under the coordination of a management team. Axfood's President and CEO is a member of this team. New techniques for measurement and monitoring have been tested, a review of lease agreements has been conducted to ensure that financial incentives are in place, the stores with the highest energy consumption have been identified, and work on an improved operations programme has been carried out.

In late 2011 a procurement process was concluded for a system for detailed follow-up and control of electricity consumption in Axfood's Group-owned stores. Installation of the system in stores will begin in 2012 along with a strengthening of the chains' central competency in the energy area.





## Transports

Axfood's business requires extensive product flows. Axfood strives to ensure that these transports are long-term sustainable as far as possible and has raised its emission targets.

Axfood manages its logistics flows through Dagab and through a central purchasing and product range function. Transports are conducted under own management via Dagab and Axfood Närlivs as well as through subcontracted freight companies. Axfood's own delivery fleet currently includes 146 vehicles.

All delivery trucks are to have well planned routes, and the goal is that they will 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 breath alcohol ignition interlock devices. Currently 85% of Axfood's vehicles are fitted with ignition interlock devices.

To minimize environmental impact, Dagab and Axfood Närlivs work continuously with a range of measures, including:

- Maximizing load capacity, i.e., making sure that delivery vehicles are always filled to capacity as much as possible.
- Reducing fuel consumption by setting a maximum speed limit of 85 km/h.
- Restricting use of diesel fuel to "green" diesel, which is based partly on pine oil.

Both Dagab and Axfood Närlivs use so-called eco-driving techniques to reduce fuel consumption in the companies' delivery vehicles, and drivers receive training in this technique. An incentive for drivers has been coupled to this: the savings achieved 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 and Axfood Närlivs also improved their follow-up of the environmental standards that have been set for subcontracted transports.

In 2011 Dagab began using rail transport to a greater extent for deliveries in to its warehouses. Dagab now also uses environmental pallets made of plastic.

During the year, Dagab and Axfood Närlivs began using Evolution diesel, which is based partly on pine oil. Evolution diesel offers 5%–16% lower CO<sub>2</sub> emissions than traditional grades of diesel, depending on seasonal factors.

In view of the success achieved with the work on lowering transport-related CO<sub>2</sub> emissions, in 2011 the reduction target was raised from 10% to 20%.

### CO<sub>2</sub> emissions, transports<sup>1)</sup>

	2011	2010	2009
Total CO <sub>2</sub> , tonnes	9,960	10,198	10,476
CO <sub>2</sub> kg/tonne products	19.77	21.6	24.32
CO <sub>2</sub> kg/SEK m in sales <sup>2)</sup>	827.62	833.83	899.96
Vehicles in fleet	146	143	143

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

<sup>2)</sup> Pertains to delivered value using own fleet.



### Business travel

Axfood strives to reduce the extent of business travel. In 2011 Axfood's Executive Committee adopted a new travel policy with the ambition of reducing the number of business trips by 20% through increased use of travel-free meetings, such as videoconferences. When travel is nevertheless required, rail and buses shall be used as the primary option. Air travel shall be chosen only when warranted by special reasons. When leasing a company car, Axfood's employees are required to choose an environmental car according to the current definitions. In 2011, environmental cars accounted for 99% of the company car fleet. All Axfood employees with company cars are offered information on so-called eco-driving.

### CO<sub>2</sub> emissions, business travel

	2011	2010	2009
CO <sub>2</sub> air travel, tonnes <sup>1)</sup>	868	762	770
CO <sub>2</sub> rail travel, tonnes <sup>1)</sup>	0	0	0
CO <sub>2</sub> car travel, tonnes	738	772	1,030

<sup>1)</sup> Pertains to business travel booked by travel agencies.

### Waste and recycling

Waste sorting is currently practised at all of Axfood's offices, stores and warehouses. The ambition is to improve waste sorting in all activities. In 2011, practical implementation was begun of a procurement process that was conducted a year earlier regarding very extensive sorting of waste fractions. Three contractors take care of this sorting centrally for Axfood's operations nationwide. The aim is to channel as much waste as possible that is generated to material recycling and to capitalize on possible revenues from sorted waste, such as shrink wrap and corrugated board. Food waste is sorted for biogas production in the municipalities that have such facilities. The new waste strategy includes the creation of a new portal in which the waste handling contractors report what they have collected. This, in turn, generates supplier invoices directly from the portal to Axfood. The portal also enables better follow-up of waste sorting.



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

During the year, Axfood began applying new purchasing guidelines based on environmental and social responsibility concerns, including life cycle analyses. The guidelines are being gradually implemented in a continuous process that will continue in the years ahead.

### Life cycle analyses reduce climate impact

A life cycle analysis entails a review of a multitude of details which together can make a great difference regarding the climate impact of purchases. To identify where the largest CO<sub>2</sub> emissions take place in the production chain of Axfood's private label products, detailed analyses are performed with the assistance of Tricorona Climate Partner and SIK (Institutet för Livsmedel och Bioteknik AB). To gain the most accurate calculation possible, the entire life cycle has been included: production, packaging, transports and stock-keeping. With the life cycle analyses as a platform, it has become possible to identify the parts of the chain with the greatest climate impact and to focus efforts on reducing climate impact where it is greatest.

A considerable amount of work has been dedicated to life cycle analyses of the products included in Axfood's new Garant Säkklart brand, which includes body care, cleaning and laundry products. The products are all ecolabelled with the Nordic Swan seal, allergy labelled and climate certified. The controls include everything from extraction and processing of raw materials to packaging and

transport of the products to store shelves.

The climate impact that cannot be reduced is compensated by financial support of a project in India.

All fruit and vegetables purchased by Axfood are to be certified in accordance with the rules for integrated production. This entails taking environmental considerations into account and avoiding the use of unnecessary pesticides.

### Uncertified palm oil to be phased out

In 2011 Axfood continued to purchase green palm oil certificates corresponding to the volume of palm oil used in the production of its private label products, or substituted palm oil with other vegetable oils. Axfood received recognition for this during the year with a green light in WWF's Palm Oil Buyers' Scorecard 2011.

The use of palm oil, which can be found in virtually any product that includes fat, is controversial since in many locations, oil palm plantations operate 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.

Starting in 2015 all palm oil used in Axfood's private label products is to be environmentally certified. Today only about 10% of all available palm oil is environmentally certified. Axfood's goal should be viewed as an effort to spark a dialogue with suppliers and get them to steer development towards the use of certified oil.

### No red-listed fish

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. The policy has also contributed to continuous improvements in the offering of ecolabelled fish.

## PRIORITIES 2012

Continued focus on reducing energy use in stores, warehouses and offices. In 2012 installation will begin of a system for detailed measurement and control of electricity consumption in Group-owned stores.

Increase waste sorting at stores, i.e., reduce the amount of material sent for combustion.

Continue the successful work on lowering CO<sub>2</sub> emissions from transports.





Axfood's customers expect Axfood to meet their demands for environmentally adapted, healthy and safe foods at competitive prices.

# Customers – a product range for conscious consumers

Customers should feel confident about the products they buy, which is why Axfood pays great attention to strict quality control over its private label products as well as name-brand products. Food safety is further safeguarded through the Group's internal control programme at stores and warehouses.

## Animal welfare

Many people who buy organic food do so out of concern for animal welfare. Axfood has therefore invested in offering a wider selection of organic beef and pork. Axfood gives priority to organic meat with the Swedish KRAV certification, which has considerably more stringent animal welfare standards than other organic certifications.

In its procurement of conventionally produced 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 discontinued selling eggs from caged hens.

## Organic and Fairtrade Certified product brands

Garant Ekologiska varor is Axfood's own organic brand. Coffee, tea and chocolate are examples of Fairtrade Certified products sold under the Aware private label. The aim of the Aware private label is to offer organic and Fairtrade Certified everyday foods at a

reasonable price. The products are sold in all of Axfood's store concepts.

Sales of organic products in relation to total food sales in 2011 were 2.6%, compared with 2.4% a year earlier.

Garant Ekologiska varor products are described in more detail on [tyckomgarant.se/ekologiskt](http://tyckomgarant.se/ekologiskt).

Higher sales of organic products

6.3%

## Garant Såklart first with climate-certified products

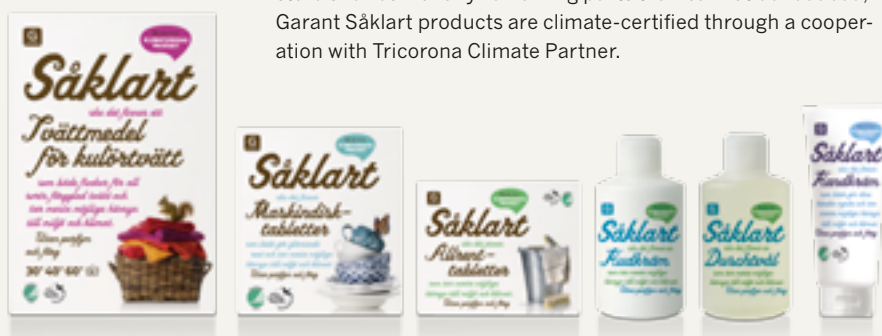
**DURING THE YEAR**, Garant Såklart was launched in stores, a line of cleaning, laundry and body care products.

The brand represents a new way of taking greater care of the environment and minimizing products' environmental impact.

Garant Såklart was the first in Sweden to climate-certify all of its products, which also bear the Nordic Swan ecolabel and the seal of the Swedish Asthma and Allergy Association.

Climate certification of products entails that steps have been taken to reduce or compensate for their climate impact.

The first step is to conduct a detailed analysis of the products' life cycle in order to minimize all emissions as far as possible. This analysis covers everything from extraction and processing of raw materials to packaging and transport of the products to store shelves. For any remaining parts that cannot be reduced, Garant Såklart products are climate-certified through a cooperation with Tricorona Climate Partner.





**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 brand (which is gradually taking the place of the Willys and Hemköp brands), and discount, under the Eldorado brand. Added to these are Garant Ekologiska varor (organic products), the Fairtrade Certified brand Aware, and the Garant Säkrlart range of climate-certified skin care and other products.

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 sanctioned by the Global Food Safety Initiative (GFSI). For household chemical products, cosmetics and skin care products, ISO 9001 or GPM standards apply. For certain other nonfood products, such as toys and electrical appliances, documentation and certification for CE labelling are required. For products designed for 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 GFSI.

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 analysis programme, including 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, a product 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**

	2011	2010	2009
Product recalls from stores, private label	25	35	49
Product recalls from stores, other	45	54	64
Share of private label suppliers approved according to GFSI, %	98	97	94

**Control programmes at stores and warehouses**

Axfood is increasingly performing internal controls of various parts of its operations to ensure compliance with regulatory requirements and that its own quality standards are being met. The Group's internal control programme is an important tool for such follow-up. Axfood conducts regular internal controls in the areas of food safety, products with limited shelf life and systematic fire safety work.

	Hemköp			Willys			Willys Hemma			PrisXtra		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
Number of Keyhole-labelled <sup>1)</sup> products	1,348	1,279	2,015	944	905	1,260	622	488	586	829	918	787
Sales as % of total food sales <sup>2)</sup>	8.82	10.72	9.08	8.29	10.13	9.55	8.49	10.74	9.67	8.23	9.26	4.02
Number of organic products	1,331	1,108	1,120	608	552	549	361	235	208	657	669	522
Sales as % of total food sales <sup>2)</sup>	4.11	3.87	2.88	2.14	2.00	1.49	2.73	2.68	2.13	3.62	3.17	1.17
Number of Fairtrade Certified products	104	83	80	50	51	55	27	30	31	60	61	54
Sales as % of total food sales	0.20	0.19	0.13	0.13	0.12	0.10	0.16	0.17	0.15	0.14	0.14	0.04
Number of hypoallergenic products	637	259	369	452	179	230	277	77	86	418	167	117

<sup>1)</sup> New criteria for Keyhole labelling since June 2009.

<sup>2)</sup> For 2009, sales percentages are compared with total sales, while figures in 2010 and 2011 represent comparisons with food sales.

Five customers comment on their choice of grocery store



**Adisa, Willys**

Why do you shop at Willys?  
 – Good prices and a large selection of food from other countries. They have most everything – from food to hygiene products. Plus, they have plenty of accessible parking.



**Mats, Willys**

Why do you shop at Willys?  
 – It's a very nice store that I can get to easily and quickly.



### Food safety

Axfood applies its internal control programme in both the 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 set of guidelines 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 and serves as a platform for how the stores structure their internal control programmes.

Under the 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.

Axfood also has a Group-wide agreement with an external partner in the area of hygiene and pest issues, which visits the Group-owned stores on a regular basis. During these visits, microbiological tests are taken and an assessment is made of the stores' internal control work. In the internal "concept follow-up" activities that are also conducted on a regular basis, food safety is a key control point.

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

### Alcohol, tobacco, betting 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 betting 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 younger than 25. 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 avoid product groups that are incompatible with the Company's values. These include, among others:

- magazines with a pornographic content
  - cider and so-called alcopop (fruit drinks with an alcohol content of more than 2.25%)
  - concentrated energy drinks (shots)
  - foie gras (goose liver)
  - fish and shellfish on WWF's redlist.
- In addition, Hemköp and PrisXtra have stopped selling eggs from caged hens.

### PRIORITIES 2012

Axfood will continue to prioritize a larger selection of environmentally adapted and healthy products to meet customer demand.



**Kristina, Willys**

Why do you shop at Willys?

– The store has a good location, plus an exciting and surprising product offering. For example, today I bought grapefruit juice and got a great deal on some black olives!



**Nadja, Hemköp**

Why do you shop at Hemköp?

– It's a nice store with a good product selection. It is close to my work, so it is practical to shop here.



**Magnus, Hemköp**

Why do you shop at Hemköp?

– The product selection, without a doubt. I can find everything I need here.



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 that suppliers of products and services comply with national laws and regulations and that international conventions are respected.

# Suppliers – increase in social audits

A guiding point in these relationships is the Axfood Code of Conduct, which draws from 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 individual employees and other partners. In 2011 the Code of Conduct was integrated in all of Axfood's operations.

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 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 to the above-mentioned UN and ILO 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 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 indices. 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, China, 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 is a vital resource for recruiting good suppliers and avoiding quality problems and suppliers that do not live up to Axfood's Code of Conduct.

During the year, a full-time auditor was hired at the representative office, and the number of social audits performed of Axfood's suppliers increased from 12 to 17. Major emphasis has also been put on raising quality in such areas as risk assessment, audits, monitoring and action plans. Toward the end of 2011, a new system for risk country assessment was procured, based on actual observations made

in connection with social audits in the various countries. This is resulting in a clearer picture of which type of remarks are being made, how many are made, and how serious they are. It is also providing better guidance for Axfood's own social audits.

Some of Axfood's private label products are purchased via the jointly owned purchasing company United Nordic. United Nordic has its own code of conduct and is gradually increasing the number of social audits it performs. Key persons in the Nordic food retail chains who represent United Nordic meet regularly to ensure uniform standards and that the right priorities are made moving forward.

## Imports of private label products from various regions

	No.	Shares, %
Europe, incl. Sweden	2,334	88.0
Asia	281	10.6
Africa	2	0.1
North America	19	0.7
South America	15	0.6
Central America	1	0.0
<b>Total</b>	<b>2,652</b>	<b>100</b>

## PRIORITIES 2012

In 2012 Axfood will continue to accelerate the pace of social audits. The new, environmental purchasing guidelines are being implemented in purchasing activities and in the development of private label products.

### The social audit process

Axfood decides to conduct a social audit of a particular supplier or producer. The decision on which supplier to be visited is based on specific criteria that weigh in such factors as risk country and risk industry.



On-site meeting with the supplier's management at the plant along with a review of how the audit will be performed, based on Axfood's Code of Conduct.



Review of documents, such as time cards, payroll slips, employment contracts and policies. Inspection of the production facility's premises and interviews with employees.



Concluding meeting with supplier's management to go through any deviations from the requirements in the Code of Conduct.



An action plan is drafted through dialogue with the supplier in the event any deviations have been discovered.



Within 6 to 12 months after the visit, a follow-up visit is made to ensure that the action plan has been followed.





Axfood participates on a regular basis in consultations and discussions with various organisations and authorities on current issues. The Swedish National Food Administration, the Swedish Board of Agriculture and the Swedish Environmental Protection Agency are the main agencies whose purview concerns Axfood's operations.

# Society – cooperation and involvement

Industry-wide matters are conducted within the framework of the trade organization Svensk Dagligvaruhandel, which has its own environmental council. Examples of activities include the setting of standards as well as instructions on 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.

## 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

## The Haga Initiative

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

One requirement for membership is that the company commits itself to reducing its carbon 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, Lantmännen, Procter & Gamble Sverige, Stena Metal, Svenska Statoil and Vasakronan. The network is coordinated by Tricorona.

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 L'Oréal, Managing Diversity, Novartis, Scandic, Sodexo, Skanska and Volvo Car Corporation.

## Retailers' security work

Handelns Säkerhetsgrupp (HSG), a security organization 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.

One requirement for being a member of the Haga Initiative is that the company is committed to **reducing its carbon emissions** by

# 40% by 2020

**Hagainitiative**   
Business for active climate responsibility



### 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) and WWF.

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

Axfood is also a member of the Roundtable on Responsible Soy Association. It works according to the same premise as for palm oil – to contribute to the development of sustainability criteria for certification of soybean plantations.

Axfood does not ally itself with positions taken by any political parties.

### Cooperation and membership in organizations

Carbon Disclosure Project	Swedish Society for Nature Conservation
CSR Sweden	Swedish Association for Environmental Managers
Diversity Charter Sweden	Roundtable on Sustainable Palm Oil
Global Compact	Save the Children
The Haga Initiative	SOS Children's Villages Sweden
Handelns Säkerhetsgrupp	

### PRIORITIES 2012

Continue developing the partnership with Save the Children, for whom Axfood is a main sponsor.



## Rädda Barnen

Save the Children Sweden

### More than SEK 4 m collected for Save the Children

During the year, collection activities with customers, suppliers and employees raised more than SEK 4 m for Save the Children. This represents a doubling compared with a year ago.

It was mainly Willys customers who donated bottle and can deposit money and bought selected Save the Children products and thereby accounted for the large increase in collections. Other activities carried out during the year included collection of deposits from PrisXtra

stores, an auction at an Axfood Närlivs supplier expo, and collections among employees. When the alarm was sounded for the impending disaster in the horn of Africa, Axfood and Hemköp donated a lump sum to Save the Children.

The money has been used to help children in both Sweden and abroad. During the peak of the famine in the horn of Africa, the money was directed to that area. During the rest of the year, the collections went to education and shelter for children in conflict-torn Ivory Coast. Axfood has contributed to the education project in Ivory Coast since 2009. In 2011 Axfood also sponsored a project to combat bullying and discrimination in children's and youth sports in Sweden. An

action plan has been presented for sports clubs, with practical advice on how to recognize and prevent bullying among children. The project will continue in 2012.

Axfood has been working in partnership with Save the Children Sweden since December 2009 and has been the organization's main sponsor since spring 2010. As one of the foremost independent children's rights organizations, Save the Children is dedicated to ensuring children's rights to food, housing, healthcare, education and a life without violence, assault or exploitation.

A total of SEK 4,036,634 was donated to Save the Children in 2011. The partnership is being developed and expanded with additional activities in 2012.





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

# Employee pride and diversity lead to good business

Proud employees, diversity and good career paths create a positive spiral that leads to more satisfied customers and better business.

With investments in knowledge-sharing, training and dialogue, Axfood strives to foster a shared view on matters such as employee-ship, leadership and treatment of customers. For example, through a broad-based e-learning initiative, most employees obtain a basic level of competence, which in turn increases their opportunities to develop at Axfood. Confirmation of Axfood's attractiveness as an employer can be found in the past year's

Employee Satisfaction Index score, which was far higher than the industry average and indicates that the employees feel a sense of inclusion and that they are satisfied with their managers. At the same time, indications of areas for improvement are taken seriously.

During the year, the HR organization continued its coordination activities aimed at raising the quality and efficiency of work. Part of this includes an employee support function that was established during the year, where employees can turn for answers to their questions at one and the same place.

Axfood's employee initiatives in 2011 resulted in several gratifying distinctions, including:

- Axfood was the recipient of the Swedish e-learning award in 2011 for its competence development initiatives. The award was presented by Promise and the Swedish Learning Association.
- Universum and Företagsbarometern (the Swedish Student Survey) nominated Axfood as "Rocket of the Year" in the Most Attractive Employer category.

## Growing with Axfood

The Axfood Academy is the Group's centre for training and trainee programmes. The Academy provides training to all employees as well as development programmes for managers within the Group. Training activities are focused on ensuring basic competence toward the goal of increasing sales and conveying Axfood's core values and view of leadership and employeeship.

In 2011, 3,325 employees participated in a total of 4,014 days of training.

Implementation of Axfood's new business system entailed extensive training during the year. To take advantage of the potential inherent in this change, some 500 employees received training in the SAP business system during the year.

### e-learning

E-learning is a cost-effective and environmentally friendly form of training

that can be offered to all employees regardless of their geographic location across the country. Since the introduction of this form of training in 2008, 70,000 courses have been completed, and today more than 4,200 employees are certified in knowledge about store operations and perishables.

In line with Axfood's long-term environmental work, focus on a Group-wide environmental training programme continued during the year. 82% of employees have completed the training.

### Development and opportunities

A manager profile has been created which shows the type of leadership that Axfood encourages and provides a model for further development and new recruitment of managers. Parallel with this, a new management training course entitled "Leading at Axfood" has been developed. The course is

mandatory for new managers and conveys Axfood's core values and view of leadership and employeeship, in line with Axfood's manager profile.

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 managers within the Group and of which employees are ready to take on a management role.

Each year Axfood's Group trainee programme is carried out for aspiring store managers. The programme is designed to secure access to competent and committed employees with a breadth of knowledge about Axfood's operations. The 2010/2011 programme included both external and internal participants.



## Four store employees on their workplace



**Sandra, Willys**

Why do you work for Willys?  
 – The work is varied, with a lot of customer contact. You see results quickly, such as in a nice store and satisfied customers. It's a nice place to work, and every day presents a challenge.



**Anthony, Willys**

Why do you work for Willys?  
 – It's a good job. I get to meet a lot of new people – both customers and colleagues.

### Satisfied employees

In early 2011 Axfood conducted the second employee survey of its kind to measure the work climate, with leadership as a key component. The results of the survey showed a high score, with an improvement in the Employee Satisfaction Index from 86 to 92 in just one year.



### Equal opportunity and diversity

During the year, Axfood adopted 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 and among Axfood's customers shall also be reflected in the diversity of Axfood's employees.

Active measures for creating greater diversity include standardized job notices, objective selection methods, and clear goals and key ratios.

The Group's explicit objective is to achieve an even gender balance in management positions, entailing representation of men and women within a span of 40%–60% by 2015 at the latest. At year-end the share of women in management positions was 21.6%.

Read more on page 41.







**Clara, Hemköp**

Why do you work for Hemköp?  
 – We have a tight crew here, with good employees, which I think shines through for our customers. We treat our customers well, because we like our work.



**Per, Hemköp**

Why do you work for Hemköp?  
 – I'm a believer in Axfood's core values, especially "the Store is the Stage". They highlight Hemköp's long-term perspective and focus on the customer.

## PRIORITIES 2012

Strengthen recruitment and the introduction and development of grocers.

Conduct training in perishables and private label products.

Increase the number of travel-free meetings.

## Well-being at work

Axfood's employees are encouraged to take the parental leave they are entitled to. Among other measures, the Company tops up the state benefit so that employees receive 80% of their salary during leave if their salary exceeds the ceiling amount provided by the social insurance office. Axfood also encourages employees to participate in fitness activities through payment of a fitness subsidy.

All Axfood employees are required to participate in an annual performance 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 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. As a rule, reporting is done to the respective companies' boards to guarantee that work environment matters are brought to the attention of management at the respective companies.

## Employee statistics

	2011	2010	2009
Work attendance, retail, %	95.5	95.4	94.9
Work attendance, wholesale, %	94.1	93.9	93.9
Work attendance, staffs	96.9	97.3	97.1
Employee turnover rate, %	11.1	11.8	9.8
Men/women, %	10.8/11.4	10.8/12.6	9.5/10.0
Age category <29, %	16.1	16.2	13.2
Age category 30-49, %	8.2	8.8	7.1
Age category 50-, %	10.6	12.3	10.3
Average service time, years	9.8	9.1	8.9
Number of full-time employees	4,318	4,332	3,840
Number of part-time employees	3,484	3,486	4,298
Average number of employees <sup>1)</sup>	7,062	6,895	6,816
Number of men	3,268	3,214	3,135
Number of women	3,794	3,681	3,681

<sup>1)</sup> Based on 1,920 working hours per year.

## Daily talks with the unions

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 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 and Akademikerförbundet SSR. 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 employee benefits. Thus in certain areas more favourable terms may exist than those stipulated by the 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.

Axfood has representatives in the collective bargaining process that was started during the year.





## GRI table – Level B

For the fourth year in a row, Axfood is reporting on its sustainability work in accordance with the Global Reporting Initiative (GRI) guidelines, level B. Axfood is a participant in the Global Compact and adheres to its 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: 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 or sanctions for violations of environmental legislation, food safety or other legislation.

The table below references where the information is presented in the report. 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.

Fully reported  
 Partly reported  
 Not reported

Axfood		Page reference (AR)	Degree
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<b>1. STRATEGY &amp; ANALYSIS</b>			
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2.3	Operational structure of the organization	Cover flap, 18-19	■ ■ ■ ■
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	2-3, 48	■ ■ ■ ■
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Axfood		Page reference (AR)	Degree
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<b>Commitments to external initiatives</b>			
4.11	Explanation of whether and how the precautionary principle is applied	33	■ ■ ■ ■
4.12	Endorsement of external voluntary codes, principles or other initiatives	38-41, 108	■ ■ ■ ■
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Axfood	Page reference (AR)	Degree	Axfood	Page reference (AR)	Degree
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LA3. Benefits to full-time employees	45	■ ■ ■ ■			
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LA5. Minimum notice period(s) regarding operational changes	45	■ ■ ■ ■			
LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees	45	■ ■ ■ ■			
LA7. Rates of injury, occupational diseases, lost days, work-related fatalities	45	■ ■ ■ ■			

<sup>1)</sup> Pertains to trading operations, not staff functions at head offices.

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# axfood

**Hemköp**


**WILLY:S**

**WILLY:S**

**PRISXTRA**

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 **Närlivs**

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