



Corporate Social Responsibility

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To be printed separately

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- [Ethics document](#)
- [Policy, work environment](#)
- [Axfood alcohol and drug policy, alcohol and drug policy](#)
- [Axfood ethnic diversity policy](#)
- [Product-line policy for Private Label](#)

0. Introduction

Axfood is one of Sweden's largest grocery companies. The majority of Axfood's sales comprise food and household goods, such as hygiene products and washing powder. A significant proportion of the goods in our shops come from producers within Sweden and the EU. A smaller proportion comprises groceries produced in developing countries or new economies. This means that by far the largest portion of our production takes place in democratic countries with extensive regulations regarding production and the work environment. In these cases, Axfood conducts daily efforts to ensure that our operations meet the requirements imposed by legislation and the authorities.

A growing group of products are special products, that is, household utensils, seasonal products, CDs/DVDs, certain electronic devices and toys. These special goods represent approximately 5 percent of the Group's total sales but this share is expected to increase over the next few years. In contrast with groceries, these items are mainly procured from developing countries. In this case, it is Axfood's ambition to act to ensure that those who work with the production of goods sold in our shops work under conditions that meet basic human rights. In most of these business relations, we are only a small-scale player, but we make our requirements clear to suppliers and agents to facilitate improvements.

Our Code of Conduct provides support in the procurement of proprietary brand products, both groceries and special products, outside the European Union. For us, it is important that all suppliers and their sub-suppliers adhere to this Code of Conduct without exception. In the renegotiation of all contracts between Axfood and suppliers, the conditions of the Code are to be included in the contract if this has not already been done.

1. Axfood's Code of Social Conduct

Axfood is one of Sweden's largest grocery companies. The majority of Axfood's sales comprise food and household goods, such as hygiene products and washing powder. A significant proportion of the goods in our shops come from producers within Sweden and the EU. A smaller proportion comprises groceries produced in developing countries or new economies. This means that by far the largest portion of our production takes place in democratic countries with extensive regulations regarding production and the work environment. In these cases, Axfood conducts daily efforts to ensure that our operations meet the requirements imposed by legislation and the authorities.

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1.1 Legal requirements

Our general rule is that all of our suppliers, in all of their operations, shall adhere to the national legislation of the countries in which they maintain operations. If any of Axfood's requirements below conflict in any way with national legislation, the national laws shall always take precedence. Should this occur, the supplier shall always inform Axfood, as soon as the Code of Conduct has been received.

1.2 Child labour

1.2.1 Policy

Our policy is based on the UN convention on the Rights of the Child, article 32.1: We consider that each child is entitled to be protected from economic exploitation and from carrying out work that may be considered dangerous, that affects the child's education or that may be harmful for the child's health or psychological, mental, spiritual, moral or social development.

1.2.2 Definition

In this context, we define "child" as a person of less than 15 years of age or, as an exception, 14 years of age in the countries listed in article 2.4 of ILO convention Nr 138. If local legislation stipulates a higher minimum age for work or obligatory schooling, the higher minimum age shall apply.

1.2.3 Implementation of Axfood's policy regarding child labour

Axfood does not accept child labour. We realise that child labour exists and that it cannot be abolished through rules and inspections as long as the social conditions of the children are not improved. We seek to work together with factories and organisations to try and improve the situation for the children affected by our prohibition of child labour. If we discover a child (see definition 2.2) working at a plant conducting production on our behalf, we will, in collaboration with the factory, attempt to identify a satisfactory solution in which we take into account the child's age, social situation, education, etc. The child will not be dismissed without a discussion regarding his/her future. All measures implemented shall result in an improvement rather than worsening of the child's situation.

We recommend factories mainly employing women to organise childcare for employees' children of pre-school age.

1.2.4 Enforcement of Axfood's policy

If a supplier fails to accept Axfood's policy regarding child labour, collaboration with this supplier will be discontinued.

1.2.5 Apprenticeships

In countries whose legislation permits apprenticeships for children between 12 and 15 years of age, we accept such children working a few hours each day. The total amount of time spent at school and work each day must not exceed seven hours (ILO convention No. 146). The factory shall be able to demonstrate that the workload does not interfere with the child's schooling, that it is limited to only a few hours per day, that duties are light and clearly focused on training and that the child receives payment for his/her work. If we find any reason whatsoever to suspect that these requirements are not met, we will not accept apprenticeship activities in factories conducting production on behalf of Axfood AB.

1.2.6 Special recommendations

In accordance with the UN convention on the Rights of the Child, an individual is a child until he/she reaches the age of 18. For this reason, we recommend that our suppliers ensure that all employees of 15 to 18 years of age are treated accordingly. Working hours and overtime should be limited in consideration of these employees' low age.

1.3 Safety

1.3.1 Building and fire safety

We require that our suppliers always prioritise their employees' safety. Dangerous equipment and unsafe buildings are not accepted. Factories shall have clearly marked exits and preferably exits on each floor. All exits shall have doors that open outwards. Exits shall not be blocked by boxes or waste and shall be well lit. If emergency exits are locked, keys shall be placed beside the door behind breakable glass and consequently always accessible for personnel. All employees shall be well aware of the factory's safety arrangements, such as emergency exits, fire extinguishers, first-aid equipment and so forth. An evacuation plan shall be posted within the factor, fire alarms shall be tested regularly and evacuation exercises are recommended.

1.3.2 First aid

First-aid equipment shall be available in each factory and at least one person in each department shall be trained in first aid. We recommend that a doctor or nurse be available at short notice in the event of an accident at the factory. Employers shall pay all healthcare costs (not covered by health insurance) caused by accidents at work.

1.4 Workers' rights

1.4.1 Basic rights

All workers producing goods for Axfood shall be guaranteed their basic rights.

1.4.1.1 We do not accept wage-slave labour, prisoners or illegal labour being used in the production of Axfood goods.

1.4.1.2 If foreigners are employed on contract, they may never be forced to remain employed longer than they themselves wish. All commission and other fees to the labour agent in connection with recruitment shall be covered by the employer.

1.4.1.3 Under no circumstances do we accept that our suppliers or their sub-suppliers use corporal punishment or other forms of mental or physical punishment or that they expose employees to sexual harassment.

1.4.1.4 All employees shall have the right to be members of a trade union and have the right to collective negotiations. We do not accept employers punishing employees who elect to organise themselves peacefully and legally or become members of a trade union.

1.4.1.5 No employee shall be discriminated against on the basis of race, sex, religion or ethnic background. All workers with the same experience and qualifications shall receive equal pay for equal work.

1.4.1.6 All employees have the right to an employment contract.

1.4.2 Wages and working hours

1.4.2.1 Wages shall be paid regularly, on time and shall be reasonable in relation to performance. The legal minimum wage is the lowest acceptable, although not the recommended wage level.

1.4.2.2 Weekly working hours may not exceed the legal limit. Overtime shall always be voluntary and paid.

1.4.2.3 Employees shall have the right to utilise legally stipulated vacation time and sick leave with no negative repercussions.

1.4.2.4 Female employees shall always have the right to utilise statutory maternity leave.

1.4.2.5 It is not permitted to dismiss female employees due to pregnancy.

In developing countries, we recommend that our suppliers provide employees at least one free meal a day.

1.5 Work environment in factories

1.5.1 It is important for the health and well-being of employees and for product quality that the factory is clean and free of various kinds of pollutants.

1.5.2 The temperature in the factory should be reasonable for a work environment and there shall be adequate ventilation. Radiators or fans shall be in place as necessary.

1.5.3 The lighting at each work station shall be adequate for the task being conducted there at all times during the work period.

1.5.4.The workers in the factories shall have access to relevant protection equipment and instructions how to use it.

1.5.5 Toilets shall be clean and workers shall have access to them with no unreasonable restrictions. The number of toilets shall be adequate for the number of workers employed at the factory. Toilets shall be available on each floor and shall, if possible, be separate for men and women.

1.6 Housing conditions

If a factory provides housing conditions for employees, the same requirements regarding safety and hygiene apply as under points 3 and 5 above regarding the factory. All workers have the right to their own bed and the living area per employee shall be at least that stipulated by local legislation. Separate sleeping quarters, toilets and showers shall be provided for men and women. Workers shall have the right to leave their living quarters when they want to during their free time. We wish to particularly emphasise the importance of fire alarms, fire extinguishers and unblocked emergency exits and evacuation routes in sleeping quarters.

1.7 Environment

Concern for environmental problems is increasing worldwide and Axfood expects its suppliers to assume responsibility for environmental matters. Our suppliers must adhere to all relevant environmental legislation in the countries where they maintain production operations.

1.8 Inspections and compliance

1.8.1 Trust and cooperation

Axfood expects all suppliers to respect this Code of Conduct and to actively do their best to attain our standards. We expect our own personnel to take responsibility for their work and we expect our suppliers to do the same. We believe in cooperation and we are willing to cooperate with our suppliers to identify realistic solutions in each individual case. We are prepared to take into account cultural differences and other factors that may vary between countries, although we will never compromise with regard to basic requirements regarding safety and human rights.

1.8.2 Inspections

Axfood reserves the right to conduct unannounced visits at any time to any of the factories that produce our goods. We also reserve the right to appoint independent third parties (for example, non-government organisations or consultant firms approved by us) to conduct inspections to ensure

compliance with our Code of Conduct. Axfood will organise regular meetings of production suppliers and agents to disseminate the Group's Code of Conduct in the form of a dialogue.

1.8.3 Deficient compliance

Should we find that a supplier fails to comply with the requirements of our Code of Conduct, we will discontinue business collaboration unless improvements are implemented within an agreed period. If we note repeated infractions against the Code of Conduct, we will immediately discontinue collaboration with the supplier.



2. Business Conduct

Axfood is a major player in the Swedish consumer goods retail market. Proper conduct in relation to various business partners and competitors is of vital importance to company credibility. To ensure a mutual standard of conduct, approximately 450 Axfood employees in senior positions sign a document each year which describes Axfood's position on such issues as offering or accepting bribes, corruption and fraternisation within the industry. Store managers do not determine store advertising campaigns and store personnel are not rewarded with benefits in conjunction with campaign results.

Criminal activity contrary to the principles outlined in this document is assessed individually and consequences can be in the form of a warning, reassignment or a report to the police. Axfood reports every significant crime to the police.

2.1 Politics

As a business, Axfood chooses not to make its opinions known regarding political issues. Axfood follows recommendations from the United Nations or the Swedish government in the event of critical situations.

However, Axfood's conduct can be interpreted as political although our actions lack political intent. For example, this may be purchases of food products or fruit and vegetables from countries that may be perceived as controversial.

By indicating the country of origin in our vegetable counters and on food product labels, consumers can determine if they wish to make a purchase based on political considerations.

2.2 Bribery

At present, Sweden maintains strict legislation regarding bribery that encompasses both the private and public sectors. A minor bribery offence can result in a prison sentence of up to two years while a serious offence, when large amounts are involved, can result in a six-year prison term.

A personal gift or incentive from the supplier segment can, if it is accepted, lead to a criminal **bribery offence** by the recipient. The person bestowing the gift or incentive can also be guilty of committing crimes involving **bribery** or **unfair marketing**. These so-called **corruption crimes** are ranked relatively high in priority by judicial authorities, not only on a national and local level but also to an increasing extent within private industry. Crimes involving corruption are very often high-profile cases for news media.

Since 2002, Axfood has had a central purchasing organisation with a considerable buyer base. Among other things, Axfood has chosen as its principle to replace category managers every third year in order to minimise the risk of corruption. This principle can be used within other parts of the Group which have large purchasing volumes.

Strictly speaking, a bribe can comprise anything that may be viewed as an incentive for recipients or their relatives and close associates. Examples of bribes include objects, money, trips, meals, various services, personal loans and personal guarantees, etc.

Bribery occurs whenever **there is a risk** that the recipient of the incentive exhibits favouritism for the donor in any way. Naturally, the presence of such a risk must be determined for each individual case. The recipient's position, which may provide an opportunity to affect decisions favouring the donor, and the nature of the incentive must be taken into consideration. Accordingly, the presence of risk is sufficient since bribery legislation does not require that the donor must have been rewarded with actual favouritism.

A clear bribery offence involves accepting an incentive which is associated with a certain behaviour exhibited by the recipient. One example of this might involve obtaining a personal gift or trip in exchange for placing an order for a specific quantity from a supplier. Since certain types of so-called "sales competitions" arranged by suppliers come very close to the limits permitted by bribery legislation, Axfood employees do not receive material rewards from suppliers in conjunction with advertising campaigns/sales competitions.

Manager consent for accepting an incentive is **not** a guarantee against suspicion of bribery since a prosecutor can initiate an investigation on his or her own terms in certain cases. An example of this may involve incentives given to business contacts in connection with major events that attract large amounts of attention, such as athletic competitions and the like.

Those who deliver or offer bribes in order to gain favour by the other party are guilty of providing **bribes**. The donor can still be prosecuted even if the recipient refuses to accept the bribe.

2.3 Ethical omissions

In wholly-owned Axfood stores, sales of "alcopop" and low-price tobacco have been omitted after studies by police and social welfare authorities revealed that these types of cigarettes and beverages may be habit-forming for young people with regard to smoking and drinking alcohol.

No advertising campaigns for tobacco or alcoholic beverages are used and no magazines of pornographic nature are sold in wholly-owned Axfood stores.

2.4 Agents

Certain Axfood purchases occur through agents. Generally speaking, an agent's services are retained whenever Axfood's volumes are too small to warrant direct access to a factory. The most common categories include special items for which Axfood is not a sufficiently large player to warrant direct factory access.

There are significant differences regarding agents' knowledge of their suppliers. While certain agents have substantial personal knowledge of different factories and companies, others have little or no knowledge.

Axfood purchasing agreements indicate that Axfood supports UN and International Labour Organization declarations regarding human rights. In cooperation with agents and manufacturing subcontractors, Axfood promotes adherence to these conventions.

In 2004, Axfood initiated an audit of approximately ten randomly selected suppliers in China. The audit was carried out using local expertise in order to chart the companies' actions with reference to at least ten items relating primarily to UN and ILO conventions. The review is a starting point towards a new working method regarding agents. During the first quarter of 2005, Axfood will invite more important agents to participate in a discussion with respect to working methods and stipulating demands.

2.5 Audit suppliers

Axfood is a young group that has only existed for four years. During that time, focus has mainly been placed on building up the company and its business. Gradually, as the various pieces have begun to fall into place, the company has also begun to work on other areas. One of these areas involves working conditions at the companies that produce the goods that Axfood sells in its shops. The foundation of this work is the Code of Conduct that Axfood has developed. The contents of the Code of Conduct are also included in the agreements the company establishes with the producers of its own brands.

In 2004, Axfood conducted a pilot project to increase its knowledge of conditions in far-off countries where goods are purchased. We selected ten suppliers of "special goods," that is, non-food items. Eight of these producers are located in China, one in Vietnam and one in Malaysia. We had an audit conducted at their factories in accordance with the SA 8000 standard, the most widespread standard in this field. Seven of the factories passed without fault or with only minor observations being noted. Two of the factories could not be visited due to supplier changes and delay tactics. For the latter, along with the factory that failed to gain approval, Axfood and its Swedish business partner will develop a follow-up plan for the correction of the problems noted. We consider that this is the correct course of action.

The conclusion of the project was that the standard at the factories varies depending on how experienced they are at conducting business with Europe and the size of the factories. In general, it can be said that those with long-term contacts with European customers maintained a higher standard than those with less experience. Furthermore, the larger the factory, the better the working conditions.

Axfood will continue to conduct random visits to suppliers and the target is for five to ten plants to be visited each year by an individual who will conduct a complete audit in accordance with SA 8000. Deviations will then be followed-up with a plan of action and subsequent visits.



3. Employees

In 2004, the average number of full-time Axfood employees was 7,764, with a distribution of 44% men and 56% women. Approximately 75% of the employees work in the store segment.

An employee survey was conducted at the beginning of the year. The survey, which dealt with such subjects as work environment, motivation, commitment and leadership, showed advances in all segments compared with a survey that was conducted in 2002. The results of the survey are a tool in the continuous improvement efforts taking place within the Axfood Group.

We will describe the employee-related sections on which we have chosen to focus. These areas are Work environment, Safety, Diversity, Competence Development and Absence due to Sickness.

Policies for Axfood can be found in each segment and plans of action are prepared/available at each staffed company.

3.1 Work environment

The Axfood work environment must fulfil all existing legal requirements. In addition, we strive to offer our employees an equally stimulating and broadening work environment. Employees should also be able to influence their work environment. Work environment efforts should be a natural part of our business and should occur as a cooperative effort between employers, employees and union organisations.

Axfood's work environment efforts involve, for example:

- distancing ourselves from all types of offensive special treatment and discrimination
- maintaining company organisation, goals and procedures for adjustment and rehabilitation operations
- providing explicit procedures for handling crises of various types

- continuous work with improving the physical work environment
- providing orientation programs for new employees and long-term absentees
- supporting a functioning company healthcare plan

- actively inhibiting the evolution and growth of substance abuse. It is a legal requirement in Sweden for companies to establish alcohol and drug policies plus a treatment plan for the handling of any abuse.

Axfood's new basic training for store managers contains a special educational module for work environment. The module starts with systematic work environment efforts and includes: responsibility and delegation

- statutes for retail
- rehabilitation, absence due to sickness, accidents and incidents
- safety inspections and checklists
- robbery, threats and violence
- Axfood requirement specifications and policies.

In terms of the physical work environment, there is close cooperation in many areas of the companies in the group with company healthcare ergonomic engineers to improve work environment conditions as much as possible. Other contributions include job rotation and incident reporting in order to eliminate risks.

3.1.1 Absence due to sickness

Generally speaking, the convenience goods industry has experienced a high level of absence due to sickness. Although absence due to sickness is 7.3% (7.6%) for Axfood's store chains and 7.0% (7.0%) for Dagab, these figures still lie clearly below the average for the rest of the industry.

After the changes in 2005 regarding employer funding for sickness benefits, it is even more important that businesses continuously follow up absence due to sickness. Administrators with support from human resources departments are initiating activities to reduce absence and special attention will be paid to units with high absence rates in relation to comparable units.

Focus on rehabilitation efforts has intensified in certain parts of the Group. Rehabilitation supervisors have been trained in a large portion of the wholesale trade, while elsewhere, a new part-time position has been added to address this issue on an ongoing basis and as a preventive measure.

3.2 Safety

Since store personnel are placed at special risk in connection with robberies, for example, safety is an important issue. In 2004, 14 robberies occurred in Axfood stores (eight store robberies in 2003). On the whole, the retail trade experienced a total of 907 robberies in 2003, which is an increase of 12%. Contrary to robbery statistics in the Swedish retail trade, the total number of robberies within Axfood has decreased during the past two years until 2003. During 2004, Axfood experienced an increase of six robberies, of which five were the work of a local criminal gang who specialised in robbing certain Axfood stores in the beginning of the year.

Generally speaking, robberies within the retail trade have exhibited a tendency toward greater use of brutality and weapons. Axfood is making active efforts to implement preventive techniques and procedures, as well as crisis management for store personnel. Regular safety training is carried out for all store personnel.

Fire safety is another major issue. Based on the new “Swedish Accident Protection Act” that took effect on 1 January 2004, a program for systematic fire safety has been prepared and implemented in all stores. In 2004, comprehensive review of fire-protection technology was completed as well as a full days’ training for all store managers with respect to fire prevention and completion of internal fire safety checks in stores.

Axfood uses the hazard analysis tool Axfood Blue that is adapted for both stores and distribution. Through Axfood Blue, existing damage protection is defined and charted with respect to technology, delegation of responsibility and procedures. Axfood Blue also demonstrates the degree of improvement and any additional need for damage prevention efforts and investments. The hazard analysis activity with Axfood Blue is an important complement for follow-up of risk and damage costs and during continuous review of the Group’s insurance arrangements.

3.3 Diversity

The concept of diversity includes the basic elements of gender, ethnicity, religion or other religious belief, sexual orientation and physical handicaps. Practically speaking, age is also included in this concept.

Axfood's diversity work is woven into such daily processes as recruitment, systematic work environment efforts, the setting of wage rates, and competence development.

We have chosen to emphasise the work with equality and ethnic diversity in the sustainability review.

3.3.1 Ethnic diversity

People who originate from other countries are very important for Axfood – both as employees and as customers for the consumer and retail segments. In order to encourage these people to approach Axfood as employees and customers, we must create an open and tolerant workplace culture.

We will work actively with the diversity perspective in such activities as recruitment and competence development. Axfood will ensure that an open and tolerant climate that is free from prejudice and stereotypical thinking permeates all levels of the organisation.

3.3.2 Equal opportunity

In 2003, goals were established for Axfood's equal opportunity efforts. The activities of the various Axfood work groups should include active pursuit of a long-term and more level gender distribution. This applies to all types of workplaces, levels and, in particular, management and decision-making bodies.

In accordance with the goals, company and staff management must have at least one female member in 2005. For 2004, seven of nine company and staff management functions fulfilled this goal (2003: seven company and staff management groups of nine). The percentage of female store managers will be raised to 25% until 2008. In 2004, the percentage of female store managers totalled 15%, which is unchanged compared to 2003 (15%). The number of female managers and leading officials within Axfood totalled 18% of 495 for 2004 (2003: 20% of 450).

Axfood's equal opportunity policy will be reviewed in 2005. Common guidelines for the company's equal opportunity efforts pertaining to activities and goals will also be prepared.

3.4 Competence development

Goals and guidelines for Axfood employee training were established in 2003 and work has continued in accordance with these goals in 2004. Axfood will continuously improve its ability to be an instructive organisation. All training must begin with the needs of the operation and the individual and maintain strong ties with company goals. Competence development must emphasise company profitability and become a tool for implementing change, it must be viewed as a strategic issue and a long-term investment.

In 2004, the career-development talk was improved. Every employee must have at least one annual career-development talk with his or her supervisor. The career-development talk is an opportunity for the employee and supervisor to engage in a dialogue regarding performance, expectations, conditions, development and goals.

Axfood's head of Group Human Resources strategies, stated the following with respect to the career-development talk: "It is the meeting between people that creates opportunity. Properly implemented

career-development talks improve conditions for the achievement of goals in the business plan and are a prerequisite for each individual's participation and competence development.”

The goal of an instructive organisation is for every employee's competence to be heeded, respected and used to the full so that the business develops and present and future goals are fulfilled. Competence development for the individual employee should start with the annual career-development talk.

In 2004, the Axfood Academy became a centre for management and employee training and development within the Group.

In order to ensure our leaders' and employees' competence, training efforts within the Axfood Academy have been split into three main groups: Management Development – strategic efforts that convey common values and perspectives, Basic Training – essential proficiency training, and Specialist Training.

The majority of our managers have completed a course entitled “Communicative Leadership” within the management development program in 2004. The purpose of this training is to improve manager/employee communication. Helping managers to understand their meaningful role as communicators and encouraging communication awareness is one way to produce results.

We secure the future need for competent store managers by creating basic leadership training that is appropriate for all companies and is based on different modules.

The Academy has contributed to the building blocks of an instructive organisation. By utilising positive role models and competence that exist within the operation, we have created an educational process. We have trained several internal instructors/knowledge imparters in a subject/message, instruction, rhetoric and presentation technique. In conjunction with Academy assignments, internal instructors can conduct seminars/training sessions that contribute to competence-raising efforts by virtue of their knowledge, experience, and familiarity with the operation.

The Axfood trainee program was begun in September, 2004. Over a period of 15 months, six young Academy members will complete theoretical and practical programs, both in stores and in the wholesale segment. The goal of the program is to create motivated Axfood ambassadors who possess a comprehensive view of the operation.



4. Environment

The trend in environmental efforts can be divided into two parts – environmental efforts undertaken by Axfood as one among several players and environmental efforts undertaken independently by Axfood.

The first of these includes the development or recycling of various kinds of packaging, CFCs and external transports. Axfood is partly able to impose requirements for use within Axfood, although it is only able to affect the whole as one among several players.

Axfood focuses on three areas in the environmental impact that Axfood is directly able to affect – transport, waste management and energy consumption.

4.1 Transports

Transports of goods from wholesale units to retail units/stores are handled mainly by the subsidiary Dagab, which is responsible for 60 percent of all transports to shops.

The set target is to reduce the energy consumption of these transports and emissions of pollutants. Part of Dagab's work involves ongoing efforts regarding load levels, that is, the maximal utilisation of cargo capacity alongside the planning of the distribution network. In addition, all Dagab drivers are to receive "eco-driving" training, which shall, in turn, reduce fuel consumption and emissions. Over the past three years, about half of Dagab's drivers have undergone this training.

In Närlivs (convenience goods), it is more difficult to achieve maximum load capacity, since deliveries are made to larger numbers of smaller customers, spread across larger geographic areas. All of Dagab's and Närlivs' lorries use the highest environmental class of diesel fuel.

The age of the vehicle fleet is a factor that affects emissions and has a negative impact on ecology and health. The vehicle fleets currently comprise a total of some 160 lorries and a number of trailers. Since 2003, Dagab has also tested two lorries (refrigerated) running on biogas and whose cooling is generated using the latest environmental technology, with compressed carbon dioxide.

Emissions of carbon dioxide från Dagab and Närlivs lorrys

	2004	2003
CO ₂ total, tonnes	11 584	11 319
CO ₂ kg/tonne goods	26,73	27,37
CO ₂ kg/m SEK turnover	687,80	697,76
Number of company owned lorrys	160	160

4.1.1 Energy consumption

Electricity consumption for proprietary shops and wholesale units amounted to 296,000 MWh for 2004 and to 274,000 MWh for 2003. The increase is primarily due to the increase in the number of shops by nine to 223. In 2004, a preliminary study was conducted at a small number of shops to identify possible high consumers and to subsequently implement measures to reduce electricity consumption. The results of the preliminary study have been received and in 2005 a project will be carried out on a larger scale.

4.1.1.1 Energy-optimisation project

In 2004, Axfood conducted a small-scale preliminary study to analyse the electricity consumption of individual shops and to identify what can be done to reduce energy consumption where this is deemed necessary. An energy inventory of proprietary shops within Axfood will be conducted during 2005.

The preliminary study conducted into grocery stores' energy consumption indicated the following distribution of consumption:

- refrigeration and freezing, slightly less than 50 percent,
- lighting, ventilation and heating/cooling, approximately 40 percent, and
- other uses, slightly more than 10 percent.

Refrigeration and freezing, indoor climate and lighting are the areas offering the greatest potential for efficiency improvements. Efforts to reduce energy consumption entail reduced costs and opportunities for improved environmental values.

4.2 Waste management

Waste management within Axfood takes place primarily at the shops. The development and utilisation of re-usable transport aids represent an important aspect of reducing packaging waste. In line with this, re-usable crates were introduced in 2004. These are mainly used for fruit and vegetables. The re-usable crate is made of plastic and is handled within the SRS (Swedish Recycling System) system. The sorting of packaging materials for recycling is another important area. The principal materials sorted at source within Axfood are corrugated board, plastics and paper. Axfood's own brands, such as Willys, Hemköp, etc. are all labelled with details of how they should be sorted for recycling.

During 2003 and 2004, Axfood constructed new waste stations at most of its proprietary shops (Willys and Hemköp). In connection with this, a review was conducted regarding which sorting categories are considered compulsory and necessary. At most proprietary shops, outer packaging is sorted into the following categories:

- Clean, combustible waste
- Biologically degradable/compostable waste
- Corrugated board and containerboard
- Soft plastics
- Household waste or equivalent

With these five categories, more or less all waste is dealt with in an environmentally correct manner. The division into categories is largely determined by the municipalities' possibilities for handling the waste. At the shops, there are also stations where customers can deposit glass, soda/beer crates, plastic bottles and aluminium cans for recycling. At the wholesale distribution centres, mainly corrugated cardboard and soft plastics are sorted at source. At offices, paper is collected for recycling.



5. Kvalitet inom Axfood

Quality work within Axfood is of major importance and focuses continually on enhancing benefits for both the company and its customers. Quality work, which is handled by several separate functions within the Group, is both preventive and corrective. The Global Food Safety Initiative (GFSI) is an important network forum for own-brand product safety and facilitates, for example, the selection of suppliers. (Read more under product-related issues).

5.1.1 Quality development

Axfood conducts quality development within two main areas: product-related issues and customer-related issues. Policies and internal inspection programs developed by Axfood for these areas are carefully followed in order to ensure the highest store and product quality. Axfood's priority functions include product safety of our own brands, checking the refrigeration chain plus store inspection and safety. Axfood works with these functions using traditional methods of planning, implementation and evaluation.



The primary purpose of the internal inspection programs is to contribute to increased customer benefits and the secondary purpose is to enable the elimination of various risks. Checks and evaluations of internal processes and the manuals or internal inspection programs used within the Group are conducted annually to continuously improve quality and safety. Corrections that are made thanks to our internal inspection programs also contribute to improving quality for the customer. Axfood performs different surveys in each store. Surveys include measuring product discontinuation and complaints. Axfood conducts random sample analysis of its own brands and temperature measurements within “internal inspection program – refrigeration” to produce data that can be followed up.

5.2 Product related issues

Issues for the product-related function focus primarily on Axfood private label products.

Product safety is especially important and all Axfood private label products must be safe for consumer use in relation to their intended purpose. In order to maintain consistent and excellent quality for these products, Axfood primarily uses manufacturers who are certified in accordance with internationally accepted food safety standards sanctioned by the Global Food Safety Initiative (GFSI).

Today, Axfood’s product manufacturers are approved in accordance with the following standards; BRC (British Retail Consortium), EFSIS, Dutch HACCP (Hazard Analysis and Critical Control Points) and IFS (International Food Safety Standard). (Quality policy for Axfood own-brand products)

Manufacturers who are not approved according to GFSI but who are ISO 22000 or ISO 9000-certified and have an HACCP plan can be approved after review by Axfood. An HACCP plan means that the company conducts a hazard analysis with critical control points in order to minimise food-product safety risks. ISO 9000 or GMP manufacturer certification is required for Axfood's chemical products, cosmetics and skin-care products. In addition, an external expert must carry out a safety assessment of these products.

5.2.1 Internal inspection programs

In order to ensure quality within the store, refrigeration chain and product safety, Axfood has developed three different internal inspection programs. These inspection programs indicate the legislation and rules that must be followed, how products should be handled, procedures for hygiene, how sampling, checks and follow-up should be completed as well as training material for employees who work with the issues in question, etc.

Axfood has an **internal inspection program in order to check that the private label products** are correctly manufactured and maintain the promised quality. The internal inspection program means that random sample analyses of Axfood private label products are conducted continually to further assure food product safety. The services of accredited laboratories are used for this purpose. The purpose of this testing is to trace any faults and inconsistencies as early as possible.

It is important that the refrigeration chain is not broken in order to preserve the properties of chilled and frozen products from manufacturer to consumer. Transportation, deliveries to warehouses and stores and storage in the store’s refrigerated cases pose particular risk.

Axfood has an **internal inspection program that includes checking the refrigeration chain** for the entire Group. It is also a part of Axfood’s standard agreement with suppliers and external transporters stipulating adherence to directions for handling chilled and frozen products. The entire refrigeration chain within the Axfood Group must remain intact using procedures for handling chilled and frozen products in all areas. The purpose of the internal inspection program is to have uniform and distinct rules and to augment checking and documentation. The program is designed to ensure that the products are not transported or stored in temperatures exceeding the allowed limit values.

The internal inspection program contains rules for checking and documentation of goods arrival, storage/arrangement and transport. Additionally, requirements for suppliers, equipment, complaint handling and follow-up tools are included. The internal inspection program also comprises training for personnel who handle transport and arrival of goods, which must also be documented. It is important that temperature deviations, for example, are reported and adjusted and that follow-up with key ratios is completed. The internal inspection program for checking the refrigeration chain is a common Group project, which is why the responsibility for review and validation is centralised within Axfood's quality organisation. However, there is a coordinator within each Group company who carries out the program. Review and validation, which occur on an annual basis, provide information for program updates.

There is an additional store-level internal inspection program that will ensure that stores are clean, tidy, and maintain the correct temperature in refrigerator and freezer cases and, accordingly, a high level of food product safety. This internal inspection program is based on HACCP principles (Hazard Analysis and Critical Control Points).

All food product handling must undergo analysis and risk appraisal in order to determine which food product handling points are critical for product quality and safety. All critical store control points must be supervised and documented daily or weekly. Examples of critical control points that are significant for the prevention of food product hygiene risks are refrigerated storage, warm storage, produce quality and cleaning of the premises and equipment.

The program also comprises procedures for labelling and traceability for those items produced in the store. In each store, one or more employees must be responsible for strict adherence to the internal inspection program. An internal inspection expert, who will visit the stores two to four times a year, will verify the efficiency of the internal inspection program. During the visit, documentation will be reviewed and random samples will be collected for additional checking.

Whenever deviations are found, an action plan will be prepared and a date for a follow-up visit will be decided. An independent party to ensure fulfilment of legal requirements completes a review of the internal inspection program once a year.

5.2.2 Private label products

Axfood's private label products Hemköp and Willys products are intermediate quality products and they must meet the same consumer acceptance, approval, safety and nutritional content requirements as the market leader. This can be assured through consumer panel tests, for example. The product undergoes a blind test by between 60 and 70 people or by a focus group at an independent location. Furthermore, Hemköp and Willys chemical and children's products must adhere to the same requirements for safety and function as the market leader. These products are tested in a laboratory or by a consumer panel depending on the type of product. For products such as nappies and pet food, home tests (HUT Home User Test) are performed. Furthermore, Hemköp and Willys heavy-duty chemical products must be ecolabelled if the market leader is ecolabelled.

Eldorado products are low-price products and they must adhere to legal requirements with respect to safety. The quality of these products is determined using internal tests. An external consultant assesses product safety for Eldorado chemical products and children's products.

Axfood's private label specialty products, such as household utensils, etc., must have satisfactory functionality and handling, and must comply with official norms for the products in question. The products can be tested internally or at a testing institution in accordance with Swedish Consumer Agency norms. Axfood household utensils must be manufactured using materials approved for use with food items.

Axfood also follows a comprehensive set of rules with regard to how lists of ingredients, nutritional information and product statements should be displayed. Since it is important that consumers are able to see and interpret these, packaging for each private label product item must have a correct and easily legible label.

	Goal	2004
Produktindrag från butik: EMV	0	13 st
Produktindrag från butik: Övriga	0	27 st
Andel EMV-leverantörer godkända enl. GFSI*	All suppliers	51,1%

5.2.3 Quality guarantee

Axfood private label products are carefully selected and tested for quality. The purpose of Axfood's quality guarantee for its products is to build customer confidence. Axfood guarantees that customers are entitled to at least their money back if they are not satisfied with the quality of the private label that they have purchased. Axfood sets very high standards for product safety with regard to their private label products since the company bears full responsibility for these products. Customers should be able to trust that Axfood sells only safe food and other products.

Formulation of quality guarantee

Food products

These products are selected and quality-tested in test kitchens. If you are not satisfied with the quality, please contact Axfood. State the product type and brand you are dissatisfied with, reasons for your dissatisfaction, best-before date, and your address in order to receive a refund.

Chemical products:

These products are selected and quality-tested in test kitchens. If you are not satisfied with the quality, please contact Axfood. State the product type and brand you are dissatisfied with, reasons for your dissatisfaction, product code, and your address in order to receive a refund.

Special products

These products are selected and quality-tested in test kitchens. If you are not satisfied with the quality, please contact Axfood. State the product type and brand you are dissatisfied with, reasons for your dissatisfaction, and your address in order to receive a refund.

5.2.4 Labelling and traceability

Since it is important for customers to know what type of product they are purchasing, the possibility to trace the product or raw material is a must. Traceability is a vital part of product quality work both for the company's ability to trace the product back to the manufacturer's location if something untoward should occur and so that the customer knows where the product originated and where it has been manufactured. As a rule, Axfood will be able to trace at least one step backward in the distribution chain and one step forward to its final destination in the store.

Customers should also be able to easily read the product's ingredients. For certain allergy sufferers, it is vital that they be able to read the contents of the food they are purchasing. Axfood will therefore identify all ingredients to the extent that this is possible. In cases for which this is not practically possible, for example when a product contains 'spices' (which do not require a detailed list), Axfood will know which spices are included in private label products and also be able to inform interested

consumers. Axfood has a positive attitude towards the provision of the same customer service by their private label suppliers.

Axfood complies with Swedish food legislation with regard to labelling and traceability of products, and indicating the type of information that must be found in detail on food products in Swedish stores. Axfood complies with the requirements in a new EU regulation regarding traceability that took effect in January 2005. The regulation requires food product companies to have total control over product content and the path at least one step both forwards and backwards in the food product.

Rules regarding labelling and traceability are valid for all products sold in Axfood stores. In addition to legal requirements, Axfood's private label products must, as far as practically possible, indicate country of origin and an extended nutritional value statement and quality guarantee.

5.2.5 Hypoallergenic line

Many of Axfood's customers have one or several different allergies or intolerances. It is important for these people that a satisfactory assortment of products is available in the stores.

Axfood offers a line of allergy safe products for the most common allergies. Hemköp, which has worked with allergy service in its stores for a considerable amount of time, includes approximately 100 gluten-free products (särnär registered products*) and approximately 60 milk-free/low-lactose products in its range. The product line comprises such products as pasta, baking mixes, ready-cooked food, frozen bread, buns, crispbread and cookies.

Willys also has a good base range. Customers who would like more information can contact both Axfood consumer-contact personnel and store personnel for more detailed allergy information with regard to Axfood own-brand products. All stores can produce a current list of Axfood's entire hypoallergenic product line and särnär registered products with information about each product's ingredients.

*Specific nutritional products registered with the Swedish National Food Administration chain.

5.2.6 Axfood – standpoints

Product safety: Axfood's customers are entitled to expect that the products they purchase are safe, that they are not the source of unwanted health problems, allergic reactions or cause injury in any way. It is therefore important that Axfood carefully checks that the products really can be trusted.

Assurance that they are manufactured in such a way as to minimise the risk for faulty and harmful products is a must. Whenever an unsafe product in Axfood's line is identified, it must be immediately removed from the market.

GMO: Gene modification is a relatively new tool whose technology Axfood has perceived to be helpful under certain circumstances. At present, Axfood does not sell any products that contain genetically modified organisms. In the event of a request from a supplier, Axfood will carry out an evaluation to determine if the product will become a part of the product line. Axfood will not actively pursue the addition of genetically modified ingredients in private label products. Genetically modified products must be clearly labelled since it is important that the customer can make up their own minds about the product.

Antibiotics: Manufacturers whose services are retained by Axfood do not provide antibiotics for animals as a preventive measure.

Azo pigments: Axfood will not market products containing questionable ingredients such as unnecessary azo pigments that can cause allergic reactions. Axfood's goal is to replace products

containing known allergens with less allergenic substances as far as possible. Should this not be possible, allergens will be clearly labelled on the packaging.

5.2.7 Audit suppliers

Axfood is a young group that has only existed for four years. During that time, focus has mainly been placed on building up the company and its business. Gradually, as the various pieces have begun to fall into place, the company has also begun to work on other areas. One of these areas involves working conditions at the companies that produce the goods that Axfood sells in its shops. The foundation of this work is the Code of Conduct that Axfood has developed. The contents of the Code of Conduct are also included in the agreements the company establishes with the producers of its own brands.

In 2004, Axfood conducted a pilot project to increase its knowledge of conditions in far-off countries where goods are purchased. We selected ten suppliers of "special goods," that is, non-food items. Eight of these producers are located in China, one in Vietnam and one in Malaysia. We had an audit conducted at their factories in accordance with the SA 8000 standard, the most widespread standard in this field. Seven of the factories passed without fault or with only minor observations being noted. Two of the factories could not be visited due to supplier changes and delay tactics. For the latter, along with the factory that failed to gain approval, Axfood and its Swedish business partner will develop a follow-up plan for the correction of the problems noted. We consider that this is the correct course of action.

The conclusion of the project was that the standard at the factories varies depending on how experienced they are at conducting business with Europe and the size of the factories. In general, it can be said that those with long-term contacts with European customers maintained a higher standard than those with less experience. Furthermore, the larger the factory, the better the working conditions.

Axfood will continue to conduct random visits to suppliers and the target is for five to ten plants to be visited each year by an individual who will conduct a complete audit in accordance with SA 8000. Deviations will then be followed-up with a plan of action and subsequent visits.

5.3 Customer related issues

Axfood shall be accessible for those consumers who wish to contact us. Axfood wants customers to feel confident about the stores and the products that are sold. Therefore, openness and dialogues with customers are important as well as attempts to continually improve the quality of customer service.

Through customer service, Axfood receives feedback regarding how good results are within various areas. All customer contact within the Group must be documented and complaint statistics must be followed up.

Customer queries and complaints are viewed as an important tool for finding deficiencies with Axfood products and to gather important information about consumer opinions. Customers may, for example, receive detailed allergy information about Axfood own-brand products through consumer contact personnel and in the stores. Customers must always be treated correctly and obtain an answer to their questions within two days after it has been received and whenever Axfood is contacted. Compensation must also be made available to customers in accordance with Axfood's quality guarantee for own-brand products.

During 2005, an evaluation of Axfood's consumer contact/customer service will be conducted by following up approximately 800 customer cases. Using this evaluation will help the continued development of quality so that customer benefits will increase even more in the future.

Consumer contact Axfood
Tel: +08 0771-87 67 70
E-mail: konsument@axfood.se



6. Human rights

Axfood's position on human rights is based on the UN convention on the Rights of the Child, ILO convention 138, 33 and the UN and ILO positions on workers' rights. These issues are subject to special attention in supplier contacts in developing countries or countries with emerging economies. Axfood's requirements are clarified in all agreements with suppliers and agents.

Axfood does not accept child labour. We realise that child labour exists in certain countries and seek to work with factories and organisations to improve the situation of children. If a supplier does not accept our views on child labour, our collaboration with this organisation is discontinued.

With regard to workers' rights, work environment and safety, we have introduced an audit process that gives us greater insight into the situation at the factories that produce goods for us. Producers were selected at random, representing a number of strategic categories. During 2004, the situation of workers at these companies was reviewed.

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7. Word list

Azo pigments	Synthetic pigments
BRC	British Retail Consortium
CSR	Corporate Social Responsibility
EMV	Egna Märkesvaror
EFSIS	European Food Safety Inspection Service
GFSI	European Food Safety Inspection Service
GMO	Global Food Safety Initiative
HACCP	Hazard Analysis and Critical Control Points
IFS International	Food Safety Standard
ILO	International Labour Organization
ISO 9000	International Standard Organisation , Quality Management System.
SA 8000	Social Accountability , international standard for working conditions
SRS	Svenska Retursystem , Swedish recycling company
särnär	Specific hypoallergenic nutritional products registered with the Swedish National Food Administration chain.