

# AXFOOD 2013

SUSTAINABILITY REPORT



Axfood aspires for a **leadership role in sustainability** in the industry – important decisions create greater transparency for consumers

**New, challenging diversity goals engage entire Group**



# Contents

- 4 CEO's message
- 5 Axfod's responsibility
- 7 Sustainability programme
- 9 Environment – ambitious initiatives in the area of energy use
- 12 Customers – sustainable and safe foods that offer value for money
- 15 Suppliers – audits for better working conditions
- 17 Employees – pride, commitment and diversity
- 19 Society – external work with responsibility issues
- 21 GRI table



**ÅSA DOMEIJ**  
Head of Environment  
and Social Responsibility  
Tel. +46-8-553 99 00  
asa.domeij@axfood.se



**Axfod works systematically** for continuous improvement in the prioritized environmental areas of energy consumption, transports and recycling. Results are achieved through long-term work involving both large and small measures. The Company analyses the value chain to identify which initiatives have the greatest impact.



**Axfod's customers want** sustainable, safe foods that offer value for money. During the year, the Group made several important decisions that give consumers greater opportunities to make conscious and well informed decisions in stores.



**Axfod aspires to be a partner** in its suppliers' sustainability work and upholds generally accepted business practices and high ethical standards in its business relationships. Social audits are an important tool for ensuring sound conditions in manufacturing, and all suppliers are expected to comply with laws and regulations, and respect international conventions.



**Axfod is a firm believer** that diversity enhances business benefit. Experiences from other cultures are valuable for meeting customers' demands. The Group holds the vision is that its employees will reflect the diversity of its customers and strives to offer equal opportunity for everyone.

# Through profitable growth and innovative thinking, we will be the best food retail company in the Nordic region

Food retail business is conducted through the wholly owned store chains Willys and Hemköp. Wholesale business is conducted through Dagab and Axfood Närlivs.

# 252

## wholly owned stores

Axfood has 252 wholly owned stores. In addition, Axfood collaborates with a large number of proprietor-run stores that are tied to Axfood through agreements, including stores in the Hemköp chain as well as stores run under the Handlar'n and Tempo profiles.

### Collaboration with

# 820

## proprietor-run stores

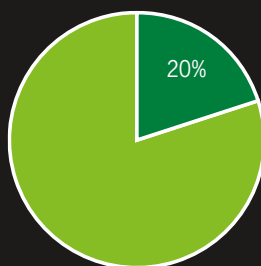
# Nasdaq OMX

Axfood is listed on Nasdaq OMX Stockholm AB's Large Cap list.

# 20%

### MARKET SHARE

Axfood has an approximate 20% share of the food retail market in Sweden.



# 50%

The principal owner is Axel Johnson AB, with 50.1% of the shares.

# Sustainability is key to success

In 2013 we continued our determined effort towards achieving industry leadership in sustainability. I am proud of our position and convinced that sustainability strengthens Axfood's business and contributes to long-term development of the operations. At the same time, I am very humble with respect to the sustainability challenges that we face.

## CLIMATE ISSUE MOST IMPORTANT FOR THE FUTURE

The climate issue is the greatest challenge of our time and requires the engagement of people from of all parts of society. At Axfood we have set an ambitious goal – to be climate-neutral by 2020. We will reduce our environmental impact by 75% and climate-compensate the remainder through smart projects that help curb climate change around the world.

In 2013 we installed one of the country's largest solar panel systems on the rooftop of Dagab's cold storage warehouse in Gothenburg. The panels generate a substantial amount of carbon-free energy for a part of our operations in which energy consumption is the highest. To further reduce energy consumption, more stores have installed energy monitoring systems and have furnished refrigerated and frozen food displays with doors and lids.

We are also working together with others to draw attention to the climate issue and advocate sustainable development. Through the Haga Initiative, which Axfood co-founded, a number of well known companies have undertaken to reduce their carbon emissions. The aim of the initiative is also to influence politicians and challenge others in industry to match our ambitions. We are active in the debate and spur others to action.

## DIVERSITY STRENGTHENS AXFOOD

Diversity is another important sustainability issue that we had in focus in 2013. We believe that diversity enriches, contributes

to more and new ways of improving our business, and strengthens our relationships with customers and other stakeholders.

Axfood already has great diversity among its employees. But we need to be even better at capitalizing on the strengths inherent in diversity. Consequently, in 2013 we set a new diversity goal that 20% of managers in the Group should have an international background by 2020. Diversity is also a matter of gender, age, experience and background.

Together with the Axel Johnson Group, we are also participating in the Axelerate initiative, which was started in 2013 with the mission to promote diversity in the organization.

## CUSTOMER CONFIDENCE

One issue that cast a shadow on our industry during the year was the controversy surrounding of the so-called horse meat scandal. Many of us were taken by surprise by the fraud behind ingredient labelling. It is something that we take – and have taken – with utmost seriousness, both through our quality assurance and control programmes and through new, important decisions made during the year. To ensure that our customers will feel safe and be able to make well informed choices, Axfood has decided to more clearly inform about the source of the main ingredients also for other ingredients than meat. In addition to our extensive internal control programme in stores, we have also adopted more and expanded controls of products, including DNA analysis.

We have also continued our work with animal welfare, and in 2014 we will be looking into various animal welfare certifications in our purchasing countries.

We are on an exciting journey, and the level of commitment in our organization is great. All parts of our operations are working in concert towards the goal of being best in the industry at sustainability. The shared view in the Company is compelling – we are driven by a conviction that sustainability issues are a key to success for Axfood.



Anders Strålman  
President and CEO, Axfood AB



# Ambitious and goal-oriented sustainability work

Axfood is one of Sweden's leading food retail companies, with the ambition to be a leader also in sustainable development. By being a driver of sustainability issues over the long term, with tangible goals, Axfood creates the right offerings for its customers. This in turn leads to better business.

## Strategic approach

Axfood's goals and strategies rest on a conviction that environment, social responsibility, strong customer orientation, and proud and committed employees are vital drivers of value creation in the Company. Work with the environment and sustainable development will therefore be conducted as actively as possible to ensure that the Company is best in the industry. This work rests

on the foundation of Axfood's core values, Code of Conduct and sustainability programme.

According to Axfood's environmental policy, the precautionary principle shall be used proactively in environmental work. 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". Axfood has also been a participant in the UN Global Compact since 2002, and its ten principles are also natural focus points. This work is conducted mainly in accordance with ISO 14001 principles. Reporting is done in accordance with the Global Reporting Initiative (GRI) guidelines, level B.

## Sustainability-related challenges and opportunities

Axfood's operations are affected by environmental policy decisions as well as by evol-

ving public opinion regarding the environment and consumer demand. For example, new environmental policy decisions may involve higher taxes or regulations that could give rise to a need for new investments.

The Company therefore monitors developments in this area and prioritizes climate and environmental aspects in all aspects of operations in order to minimize risks and be proactive in its ability to comply with new rules and regulations, and demands made by the authorities and consumers.

The climate issue is one of the greatest challenges today, as climate change poses major inherent risks for food production, including drought, floods and price fluctuations caused by commodities speculation. For Axfood this is putting higher demands on strategic purchasing. This can entail, for example, ensuring that the Group is not dependent on food ingredients from a single region, as extreme weather can make harvests uncertain.

## 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 to Axfood in its 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 engaging in 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.



Axfood is also contributing to more sustainable food production, such as through its efforts to promote sustainable production of palm oil and soybeans.

Rising energy prices and more stringent fuel emission standards affect Axfood's operations. Moreover, consumption of electricity and fuel has a major climate impact. For this reason, the Company is working intensively to improve the efficiency of its energy use. A number of measures are being taken to improve the efficiency of road transports and increase the use of biofuels. Greater use of rail transport is also seen as an opportunity.

Over time, credible sustainability work is decisive for earning customers' trust. Growing numbers of consumers are demanding foods with an identity, clear source labelling and clearly marked ingredients. Axfood is therefore working actively to meet the rising

demand for sustainable products. Through communication in stores, the Company is also helping customers make conscious choices, such as through source-labelling of the main ingredients.

Axfood's purchasing guidelines have obtained a strong sustainability profile that is based in part on life cycle analyses during the products' course through the supply chain. Relationships with suppliers are governed by the Company's Code of Conduct with respect to social and business ethics issues.

**Code of Conduct for business ethics**

The Group's Code of Conduct stipulates that Axfood shall conduct its business in accordance with generally accepted business practice and high standards of business ethics in relation to suppliers and other business partners.

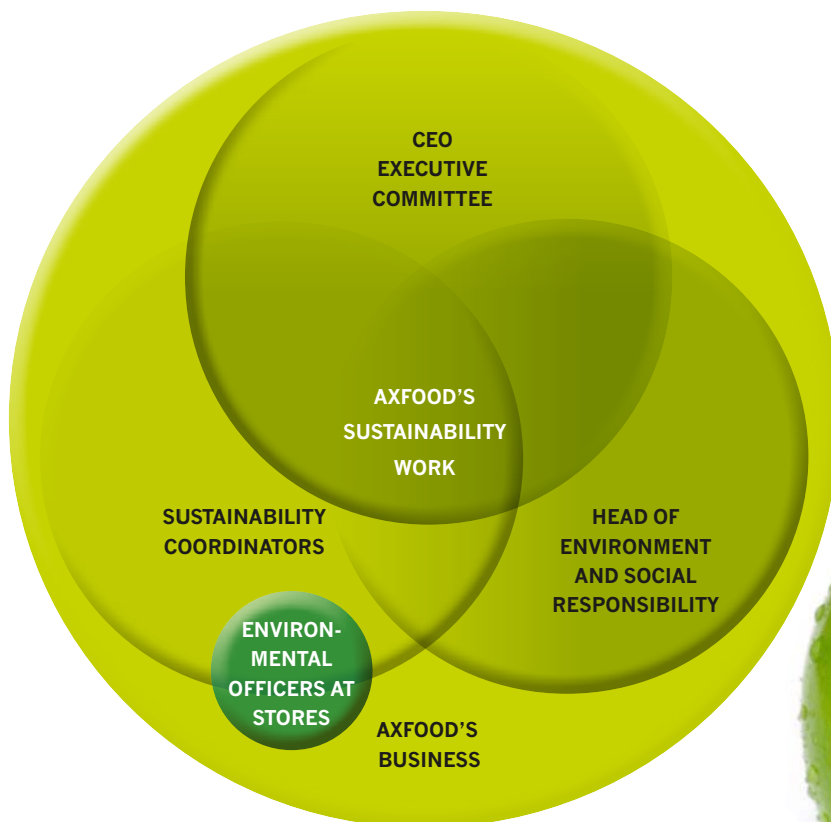
Axfood adheres to a policy that lays out the Group's position on the offering and accepting of bribes and corruption. The policy is updated every year, and pertinent employees are required to certify in writing that they have read the policy. In 2013, 1,070 affected employees (900) signed such a certification, including persons with a payment authorization right and employees who in some other way affect decisions about purchases of products or services.

**Organization and implementation**

Axfood works with sustainability matters in a business-driven manner. Sustainability issues are integrated in all aspects of operations in order to foster engagement throughout the organization. The Executive Committee and Head of Environment and Social Responsibility are responsible for overarching strategies, goals and actions, and follow-up. The individual companies and divisions, in turn, have operational responsibility for their own sustainability work.

To be able to work in an integrated manner, it is important that the individual companies have operational responsibility for their sustainability work. All companies have their own environmental coordinator. It is also important to gradually raise employees' competence with respect to basic knowledge about sustainability issues and Axfood's commercial benefit of being an industry leader in this area.

**SUSTAINABILITY ORGANIZATION**



Responsibility for overarching strategies, goals and actions, and follow-up rests with the Executive Committee and Head of Environment and Social Responsibility. The individual companies and divisions within the Axfood Group have operational responsibility for their own sustainability work.



# Sustainability programme with measurable goals

Axfood's sustainability programme is an important governance tool for the Group's sustainability work. The programme describes goals, actions and results of the Group's sustainability work and is revised once a year in pace with the achievement of goals and the emergence of new opportunities.

| FOCUS AREA  | OVERARCHING GOALS   |
|---|---|
| <p><b>SUSTAINABLE PRODUCTS</b></p>       | <ul style="list-style-type: none"> <li>• Axfood will continuously improve its products from an environmental perspective through adherence to the Group's purchasing guidelines.               <ul style="list-style-type: none"> <li>– Axfood will work actively for more sustainable production of palm oil and soybeans.</li> </ul> </li> <li>• Axfood will advocate for better animal welfare.</li> </ul> |
| <p><b>ENVIRONMENT – TRANSPORTS</b></p>  | <ul style="list-style-type: none"> <li>• Axfood will reduce its climate impact from transports and business travel.</li> </ul>  |
| <p><b>ENVIRONMENT – ENERGY</b></p>     | <ul style="list-style-type: none"> <li>• Axfood will reduce its climate impact by 75% by 2020 (base year 2009).</li> </ul>  |
| <p><b>SUPPLIERS</b></p>                | <ul style="list-style-type: none"> <li>• Axfood will promote respect for human rights, workers' rights and environmental protection among its suppliers and business partners.</li> </ul>   |
| <p><b>EMPLOYEES</b></p>                | <ul style="list-style-type: none"> <li>• Axfood will create workplaces that offer involvement, diversity and opportunities to develop.</li> </ul>   |

| TARGET/KEY RATIO  | OUTCOME 2013   | OUTCOME 2012   |
|---|--|--|
| <ul style="list-style-type: none"> <li>Axfood will increase its sales of organic products to at least 3% of total food sales in 2013.</li> <li>Axfood's sales of organic meat will amount to 3% of total meat sales by year-end 2013.</li> <li>Packaging of Axfood's private label products will include information about the country of origin of meat ingredients.</li> <li>The palm oil used in Garant products will be certified by 2015.</li> </ul> | <p>3.0%</p> <p>3.0%</p> <p>98%</p> <p>Certification process begun.</p> | <p>2.7%</p> <p>1.1%</p> <p>Approximately 95% of products are labelled with information on the country of origin. A dialogue is being carried out with suppliers of certified palm oil.</p> |
| <ul style="list-style-type: none"> <li>Dagab and Axfood Närlivs will reduce their CO<sub>2</sub> emissions from Group-owned vehicles by 20% per tonne-kilometre by 2015 (base year 2009).</li> <li>The Axfood Group will reduce air travel by employees by 15% in 2013.</li> </ul>  | <p>-9.9%<sup>1)</sup></p> <p>+6.2%<sup>2)</sup></p>                    | <p>-17.4%<sup>1)</sup></p> <p>-16.0%</p>   |
| <ul style="list-style-type: none"> <li>Axfood will reduce its energy consumption by 30% per square metre by 2015 (base year 2009).</li> <li>Dagab will reduce its electricity consumption by 5% by year-end 2013 (base year 2012).</li> </ul>   | <p>-4.3%<sup>1)</sup></p> <p>-4.6%</p>                                 | <p>-3.9%<sup>1)</sup></p>  |
| <ul style="list-style-type: none"> <li>By 2015 at the latest, suppliers accounting for at least 67% of the Group's purchasing value from risk countries will be audited in accordance with the BSCI's<sup>3)</sup> goals. Axfood will join BSCI in 2013.</li> <li>By 2015 at the latest, at least 34% of audited suppliers will have made improvements in accordance with the BSCI standards.</li> </ul>  | <p>Axfood became a member of BSCI in 2013.</p>                         | <p>Axfood will become a member of BSCI in 2013.</p>  |
| <ul style="list-style-type: none"> <li>Continued high work attendance rate of at least 95%.</li> <li>Continued Employee Satisfaction Index score of at least 90%.</li> <li>Achieve an even gender balance in senior positions, i.e., that women and men will be represented within a range of 40%–60% by 2015 at the latest.</li> </ul>   | <p>94.7%</p> <p>91.0%</p> <p>25.0% women</p> <p>75.0% men</p>          | <p>95.0%</p> <p>91.0%</p> <p>22.7% women</p> <p>77.3% men</p>  |

<sup>1)</sup> Compared with base year.

<sup>2)</sup> The increase is mainly attributable to a larger amount of business travel associated with the project to implement the new business system, plus more trips booked via travel agencies.

<sup>3)</sup> The Business Social Compliance Initiative, a leading business-driven initiative for companies committed to improving working conditions in the global supply chain.



# Environment – continued investments accelerating the pace of environmental work



Axfood works systematically for continuous improvement in the prioritized environmental areas of energy consumption, transports and recycling. Results are achieved through long-term work involving both large and small measures. The Company analyses the value chain to identify which initiatives have the greatest impact.

Axfood's warehouses and cold storage warehouses are the largest consumers of energy in the Group. Axfood is working to identify improvement potential by systematically measuring and controlling electricity use in its wholly owned stores and warehouses.

Axfood's goal is to reduce electricity consumption by 30% per square metre by 2015 (base year 2009). To date, electricity

consumption in the Group's buildings has been reduced by 4.3% since 2009. At the same time, demand for fresh and refrigerated products is growing, requiring more energy to run refrigerated displays. To further reduce energy consumption, more refrigerated and frozen food displays in stores have been furnished with doors and lids.

## Road transports

The Group's extensive product flows involve intensive transport and logistics operations. Axfood is working for long-term sustainable transports and has set challenging emission targets. The Group's own delivery fleet includes 137 (144) vehicles. In addition to these, the Group uses the services of independent transport firms.

Dagab and Axfood Närlivs, which are responsible for own transports within the Group, are working to reduce climate impact through such measures as streamlined

route planning and high capacity utilization in delivery vehicles. Drivers are trained in so-called eco-driving to optimize fuel use, and all of Axfood's own delivery trucks use Evolution diesel fuel, which is a 25% blend of pine oil in ordinary diesel fuel. This results in lower CO<sub>2</sub> emissions than ordinary diesel fuel.

When purchasing new vehicles for its fleet, Axfood chooses vehicles with the most commercially viable engines and best environmental performance. During the year, Dagab ordered two new trucks powered by liquid petroleum gas (LPG). These will be tested in the operations in 2014.

## Travelling and meeting

The Axfood Group's goal is to reduce the total number of business trips by investing in and offering alternative meeting forms, such as video- and virtual conferencing. Priority is also given to choosing transport by rail or coach over air travel. In 2013 the

number of business trips using air travel increased by 6.2%. This is mainly due to an increase in travel in connection with the implementation of the new business system at Axfood's facilities throughout the country. All air travel in the Group is climate-compensated.

Axfood lives up to its goal that all company cars satisfy the requirement to be classified as environmental cars in accordance with the 2012 definition.

#### From waste to resource

All Axfood stores, warehouses and offices sort their waste in order to increase material recycling as far as possible.

Sorted material like shrink wrap and corrugated board are a potential source of income. All of Axfood's stores strive to ensure that food waste is sorted out for biogas production where possible. The ambition is to be able to send food waste from all stores to biogas production plants. Three external contractors handle the Group's waste and report what they collect in an online portal. Invoices for their services are then sent directly via the portal to Axfood. The portal came online in 2012 and is contributing to improved follow-up of the Group's sorting.

Axfood is striving to optimize resources and prevent food shrinkage. This is being

achieved through, among other measures, cooperation with catering companies, local solutions for donating food, better ordering routines and increased use of Autoorder, an automated restocking system that monitors actual flows to and from stores.

#### Climate-smart products

Various products have differing environmental impacts during their production, transport and consumption. Axfood strives to ensure that the products included in its assortment have as little environment impact as possible. By gradually sharpening requirements placed upon suppliers, the environmental impact of products can be reduced.

The Group's purchases of palm oil illustrate the effects of Axfood's guidelines in practice. Axfood has opted to replace controversial palm oil with other vegetable oils where possible and purchases green palm oil certificates that correspond to the volume of palm oil that is still used in certain private label products. This promotes sustainable palm plantations and production of palm oil, which is helping to preserve rain forests. Axfood's goal is that all palm oil used in the Group's private label products will be certified by 2015.

In 2013 a parallel initiative for purchases of soy products led to a decision to purchase soy certificates starting in 2014.

## Increased support to Solvatten

In 2013 Axfood introduced a line of sparkling water sold in half-litre bottles for the benefit of the Solvatten water purification project in Uganda. Customers at a number of Willys and Hemköp stores have been able to buy the product, where half of the sales price of SEK 10 is donated to the Solvatten project. This is one form of support for a Swedish invention that gives people in developing countries access to clean drinking water.

Solvatten is a water container that uses the sun's ultraviolet rays and heat to purify water. In addition to giving people a means of purifying water, less wood is needed to heat up water – a climate gain with a bonus!

During his visit to Sweden in 2013, U.S. President Barack Obama gave mention to Solvatten and to Petra Wadström, the Swedish inventor behind Solvatten, which attracted considerable media attention. Axfood has been supporting Solvatten previously through climate compensation for business travel by air and through the Garant Säkrlart product line.

In November, Axfood representatives visited Uganda to meet families who use the Solvatten system, to find out what it entails for them. About a dozen families in the capital city Kampala as well as in the countryside described how access to clean water has led to a better life and improved their financial situation. Money that they previously had to spend on fuel just to boil water can now be used for other purposes, including their children's school costs in many cases.





## Solar panels turn heat into refrigeration at Dagab's cold storage warehouse

Dagab's new cold storage warehouse in Gothenburg was inaugurated in 2013 and supplies Axfood's store chains in southern and western Sweden with frozen products. The facility also has one of the largest solar panel systems in Sweden, with the capacity to generate 87,000 kWh of electricity per year, which is equal to what five normal-sized homes require each year for heating.

On a yearly basis the system covers 10% of the warehouse's energy needs, but during the summer this level can be as much as 20%. This makes the system a sound investment. Cold storage warehouses and solar panels are an optimal combination, since the energy need for refrigeration is the greatest during the summer, when most solar energy can be converted.

### Priorities 2014

Continue work on improving energy efficiency in all aspects of operations.

Follow up how greater access to alternative forms of meeting has affected business travel.

Increase cooperation to reduce food shrinkage in stores and generate revenue from recycled material.

#### ELECTRICITY CONSUMPTION FOR GROUP-OWNED STORES AND WHOLESALE FACILITIES

|   | 2013    | 2012    | 2011    |
|---|---------|---------|---------|
| Retailing MWh   | 289,077 | 289,632 | 286,654 |
| Wholesaling MWh   | 31,729  | 32,622  | 36,204  |
| Total MWh   | 320,806 | 322,254 | 322,858 |
| Number of stores  | 252     | 246     | 237     |
| Electricity consumption kWh/m <sup>2</sup> , stores               | 394     | 400     | 406     |
| Electricity consumption kWh/m <sup>2</sup> , wholesale facilities | 208     | 223     | 237     |
| Total CO <sub>2</sub> , tonnes <sup>2)</sup>                      | 16,264  | 18,726  | 20,053  |

<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 has increased due to previously contracted, unexpired electricity contracts.

#### CO<sub>2</sub> EMISSIONS, TRANSPORTS

|   | 2013   | 2012   | 2011   |
|---|--------|--------|--------|
| Total CO <sub>2</sub> , tonnes                              | 10,207 | 9,209  | 9,955  |
| CO <sub>2</sub> kg/tonne products                           | 21.9   | 20.09  | 21.15  |
| CO <sub>2</sub> kg/SEK m in sales <sup>2)</sup>             | 612.20 | 788.26 | 847.95 |
| Number of vehicles in fleet                                 | 137    | 144    | 143    |
| No. vehicles with breath alcohol ignition interlock devices | 126    | 130    | 112    |

<sup>1)</sup> Total volume for Dagab's and Axfood Närliv's own delivery vehicles – transports from own warehouses to stores. Due to a new calculation model, figures for previous years have been revised.

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

#### CO<sub>2</sub> EMISSIONS, BUSINESS TRAVEL<sup>1)</sup>

|   | 2013 | 2012 | 2011 |
|---|------|------|------|
| CO <sub>2</sub> air travel, tonnes <sup>1)</sup>  | 622  | 868  | 762  |
| CO <sub>2</sub> rail travel, tonnes <sup>1)</sup> | 0    | 0    | 0    |
| CO <sub>2</sub> car travel, tonnes                | 620  | 738  | 772  |

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

# Customers – greater transparency and clarity for safe choices

Axfood's customers want sustainable, safe foods that offer value for money. During the year, the Group made several important decisions that give consumers greater opportunities to make conscious and well informed decisions in stores.

## Clearer source labelling

Axfood strives to help consumers find sustainable, healthy and safe foods at competitive prices. Toward this end, the Group's chains have worked with their environmental profiles through communication with customers and in stores. This is particularly clear at Willys, which has ecolabelled stores and Sweden's lowest prices for organic food products.

Consumers are voicing an interest in more identity and less anonymity in their food products. During the year, Axfood made the decision to mark its private label products with clearer information on the source of all main ingredients, not only meat. For example, if a cheese is produced in Holland but contains milk from another country, it should be stated where the milk – the main ingredient – comes from, not only where the cheese was processed.

In addition, new studies are leading to more stringent standards in existing frameworks. For example, the "Good Environmental Choice" ecolabel has raised its requirements for PVC plastic. This has led to changes in the assortment, and PVC has been replaced with other alternatives in all of Willys' products where possible.

During the year, Axfood started a dialogue on animal husbandry together with the restaurant and foodservice operator Martin & Servera. This dialogue is being led by the Antonia Ax:son Johnson Foundation for Sustainable Development in response to figures published by the European Medicines Agency that indicate the extensive use of antibiotics in animal husbandry. The aim is to work together with external experts to study the

consequences of this for consumers and determine how companies like Axfood should act in relation to their suppliers.

## Extensive mapping of animal welfare practices

Interest in organic foods is also being driven by growing interest in animal welfare. In response to this, today Axfood gives priority to organic meat with KRAV certification, as it sets the most far-reaching standards regarding animal welfare.

In 2013 Axfood decided to draw up an animal welfare certification for all of its private label products. This is mainly being achieved by mapping all existing certification standards. This work is expected to be completed in 2014, while the entire certification process will be ready in a few more years.

As a result of the focus on animal welfare, Axfood was the first company in the industry to take a stance against antiquated methods in hog farming, which will take effect in 2015. Axfood's goal here is to force the industry to cease the practice of castrating pigs without anaesthesia.

Willys will stop selling eggs from caged hens entirely in 2014.

## Customers showing a preference for MSC-certified fish

In 2013 Hemköp was the first grocery chain to certify all of its fish counters in its wholly owned stores accordance with the Marine

Stewardship Council (MSC). Previously only individual stores or restaurants in Sweden had managed to achieve certification to such an extent. Growing interest from customers could be seen in higher sales of MSC-certified fish. During the year, Hemköp held a number of training initiatives to raise knowledge about MSC among employees.

The Axfood-owned company Falkenbergs Seafood is the only fish wholesaler in Sweden that does not sell any fish on WWF's red list, and its operations are also MSC- and KRAV-certified.

## Ecolabelled stores

Willys offers Sweden's "cheapest bag of organic groceries". In addition, Willys has partnered with the Swedish Society for Nature Conservation (SSNC), which has ecolabelled all of the chain's stores with the "Good Environmental Choice" ecolabel. This certifies, among other things, that the stores offer a wide selection of organic products, avoid especially environmentally hazardous products, and work with energy efficiency and waste sorting. Moreover, the modernized stores are considerably more energy-efficient than before. This can mainly be credited to modern energy monitoring systems and the installation of refrigerators and freezer displays with lids and doors, which is important both for the environment and for the chain's ability to keep prices low.





**Greater share of organic products**

Axfood's goal for 2013 was that organic products would account for 3% of total food sales was achieved.

Garant Ekologiska varor is Axfood's private label for organic food products that

offer value for money. The products are sold in all of the Group's store concepts. The assortment comprised 140 (130) items at year-end and is being gradually expanded. In 2013, organic and Fairtrade Certified bananas were introduced.



The Fairtrade Certified private label Aware included ten products at year-end (ten), including coffee, tea and chocolate.

**Quality assurance of private label products**

Private label products play a key role in Axfood's efforts to offer high quality products that give customers value for their money. Regardless of the product and level of quality, all food producers of the Group's private label products must have plants that are certified according to any of the standards sanctioned by the Global Food Safety Initiative (GFSI). The quality of food safety work is also controlled in yearly analyses performed by Axfood quality assurance staff.

**Ethical exclusions and control programmes**

In the Group's wholly owned stores, Axfood has chosen to refrain from product categories that are contrary to the Company's values. These include magazines with a pornographic content, and cider and so-called alcopop beverages with an alcohol content higher than 2.25%. Nor are concentrated energy shots sold in Axfood stores. To ensure adherence to minimum age limits for purchases of alcohol, tobacco and medicine – legal limits or the Group's own voluntary limits – Axfood conducts training and has routines for checking ages. Follow-up is conducted in stores through the Group's internal control programme.

In cooperation with the trade organization Svensk Dagligvaruhandel, Axfood has helped draw up the industry-wide "Safe food in your store" guidelines. The guidelines' recommendations are applied in Axfood stores and serve as a platform for the design of the stores' own internal control programmes.

In such a control programme, the stores perform certain daily checks, including arrival inspections and temperature inspections at the departmental level. Clear routines are in place for unpackaged foods, for example, to ensure that food hygiene is maintained and the integrity of the cold chain.

Axfood has a Group-wide agreement with a partner on hygiene and pest control issues, which visits Group-owned stores on a regular basis. The visits include the taking of microbiological samples and reviewing the stores' internal control work. In an internal function called "Concept follow-up", which is also conducted on a regular basis, food safety is a central control point.

**Quality standards**

| TYPE OF PRODUCT  | SUPPLIER REQUIREMENT   |
|--|--|
| Household chemical products, cosmetics and hair care products  | ISO 9001 or GPM  |
| Vegetables, root vegetables and fruit                          | Certification according to Global GAP or similar   |
| Certain non-food items, such as toys and electrical appliances | Documentation and certificate of CE labelling  |
| Products designed for contact with food                        | Certification that the product is manufactured using material approved in accordance with Normpack's rules |

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



## Guaranteed organic bananas

Sales of organic bananas rose sharply during the year. The Garant Ekologiska product line includes organic, Fairtrade Certified bananas that are packaged in biodegradable plastic bags. A QR code on the package links customers to a film about work on a banana plantation.

Organic banana plantations practice pesticide-free agriculture, which is good for the plantation workers and good for the environment. In addition to a safer and more secure work environment and natural environment, organic banana plantations are contributing to the development of methods that are also benefiting conventional banana plantations. Fairtrade Certification is a voucher that production is conducted under fair working conditions.



## Priorities 2014

Introduce clearer labelling of the source of main ingredients in all private label products.

Finish work on animal welfare certification and formulate Axfood's standards.

Strengthen offering of and availability of organic products.

### QUALITY ASSURANCE OF PRIVATE LABEL PRODUCTS

|  | 2013 | 2012 | 2011 |
|--|------|------|------|
| Product recalls from stores, private label products, number            | 31   | 22   | 25   |
| Product recalls from stores, other, number                             | 68   | 30   | 45   |
| Share of private label product suppliers approved according to GFSI, % | 99   | 98   | 98   |

### KEY DATA PER STORE CHAIN

|  | Hemköp |       |       | Willys |      |      | Willys Hemma |      |      |
|--|--------|-------|-------|--------|------|------|--------------|------|------|
|  | 2013   | 2012  | 2011  | 2013   | 2012 | 2011 | 2013         | 2012 | 2011 |
| Number of organic products             | 907    | 1,008 | 1,331 | 605    | 524  | 608  | 366          | 340  | 361  |
| Sales as % of total food sales         | 4.55   | 4.20  | 4.11  | 2.55   | 2.26 | 2.14 | 3.15         | 2.91 | 2.73 |
| Number of Fairtrade Certified products | 90     | 72    | 104   | 50     | 42   | 50   | 32           | 31   | 27   |
| Sales as % of total food sales         | 0.27   | 0.23  | 0.20  | 0.13   | 0.12 | 0.13 | 0.16         | 0.16 | 0.16 |
| Number of hypoallergenic products      | 576    | 555   | 637   | 434    | 420  | 452  | 310          | 276  | 277  |

# Suppliers – the goal is a reliable and transparent supply chain



Axfood aspires to be a partner in its suppliers' sustainability work and upholds generally accepted business practices and high ethical standards in its business relationships. Social audits are an important tool for ensuring sound conditions in manufacturing, and all suppliers are expected to comply with laws and regulations, and respect international conventions.

#### Code of Conduct applies to all

Axfood's Code of Conduct has been implemented in all operations and applies for employees as well as suppliers. The Code lays out Axfood's obligations and expectations in internal and external relations and is based on internationally recognized conventions for human rights, working conditions and the environment.

All companies that supply products or services to Axfood Group companies are

required to adhere to the standards in the Code of Conduct. They are also required to ensure that their subcontractors in turn adhere to the Code.

#### Social audits

Axfood performs social audits to examine how well its suppliers adhere to the Group's Code of Conduct and their respective countries' laws governing workers' rights and working conditions. Together with local auditors, Axfood performs social inspections of selected suppliers. The protocol for the audits is based on SA8000, an international standard for social audits that covers such areas as child labour, work environments and housing conditions.

In 2013, a total of 23 (21) social audits were performed. The audits have been systematized, with clearer routines for follow-up and return visits. Axfood conducts a risk mapping of countries with respect to human rights, environmental policies and corruption. This forms a platform for the setting of priorities in inspections and is used as support by the purchasing organization.

Axfood's representative office in Shanghai is an important resource for identifying good suppliers that meet Axfood's quality standards as well as the standards set in the Code of Conduct.

Deviations from laws and conventions lead to a dialogue between Axfood and the supplier in question, with a view to achieving improvements. If no improvements are made, then grounds exist to terminate the cooperation.

#### Alliances carry greater weight

During the year Axfood became a member of BSCI (the Business Social Compliance Initiative), an international alliance of companies that is working to improve working conditions in factories and farms worldwide. Membership in the alliance is enabling more audits and inspections of suppliers to be performed. Axfood also participates in other industry alliances – including the Nordic purchasing network United Nordic – in an effort to work with others to address challenges involving suppliers.

**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.

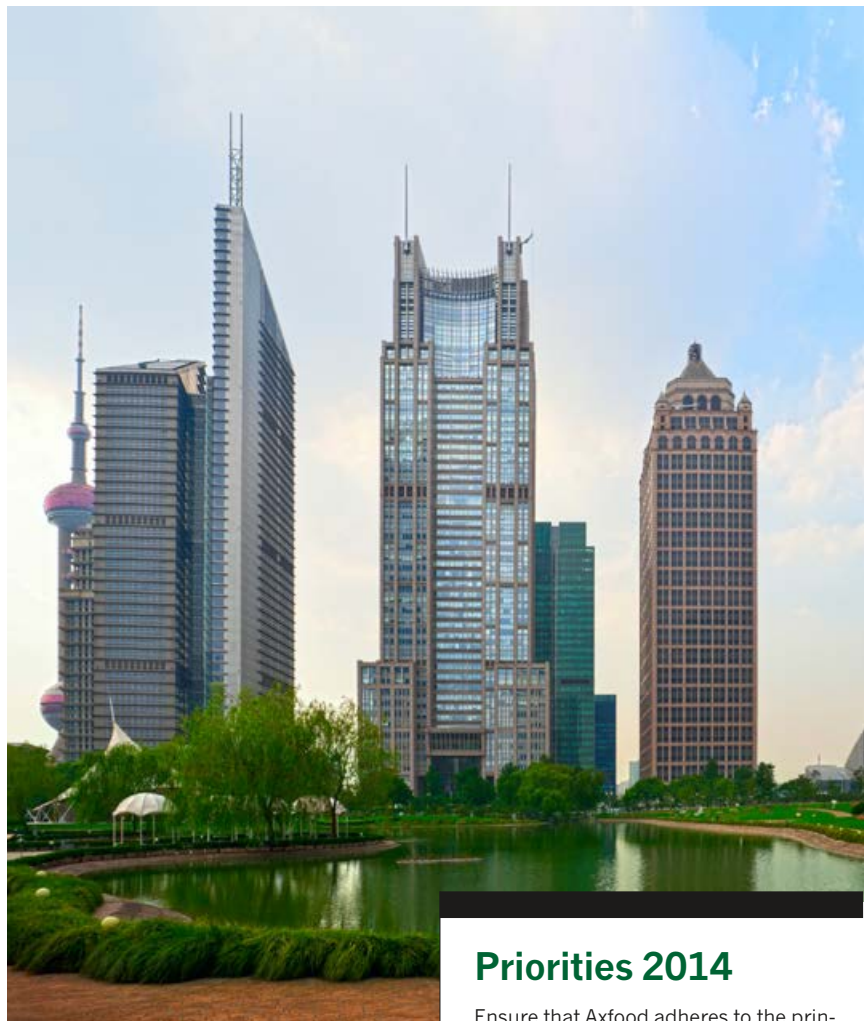
Within 6 to 12 months after the visit, a follow-up visit is made to ensure that the action plan has been followed.

## On visit to China

Axfood's head of sustainability, together with employees from Axfood's purchasing office in Shanghai, visited a number of Chinese suppliers during the year. Axfood imports both food and other products from China.

Before a new supplier is approved, a buyer pays a visit and performs a general control of the work environment and other social conditions, among other things. If the result is positive and an agreement is reached, a complete social audit is performed by Axfood's own auditor, who also has considerable knowledge about Chinese business culture and who checks to see that time cards and other documents have not been falsified. Unfortunately, there are consultants in China who can be hired to falsify documents ahead of social audits or offer bribes for approved results. Axfood's own auditor has uncovered several such cases over the years.

Development in China has progressed rapidly. As a result of wage growth in recent years, Chinese companies are working to improve the efficiency of production processes in order to uphold their competitiveness. They are also finding it important to adapt their production and offerings to Axfood's environmental standards, such as by offering candles made of certified palm oil.



### Priorities 2014

Ensure that Axfood adheres to the principles for membership in BSCI.

Continue increasing the pace of social audits through procurement of external support.

Study animal welfare audits.

Increase resources and competency in the purchasing organization.

**IMPORTS OF PRIVATE LABEL PRODUCTS FROM VARIOUS REGIONS**

|               | Number       | Share, %   |
|---------------|--------------|------------|
| Europe        | 2,759        | 81.8       |
| Asia          | 555          | 16.5       |
| Africa        | 8            | 0.2        |
| North America | 30           | 0.9        |
| South America | 19           | 0.6        |
| <b>Total</b>  | <b>3,371</b> | <b>100</b> |



# Employees – greater diversity and distinct culture are success factors

Axfood is a firm believer that diversity enhances business benefit. The Group's vision is that the employees should reflect the diversity among the customers.

## Diversity leads to enhanced business benefit

Experiences from other cultures are valuable for meeting customers' demands. The Group holds the vision is that its employees will reflect the diversity of its customers and strives to offer equal opportunity for everyone. In 2013 the Board of Directors decided on a challenging diversity target, entailing that 20% of managers in all Group companies should have an international background by 2020. This target will be followed up yearly.

A precondition for achieving this goal is that diversity work is incorporated in all recruitment and employee development processes. Axfood has initiated a mapping and analysis of how diversity is taken into account in the Group's competence succession work.

Toward this end, together with the Axel Johnson Group, Axfood will participate in the Axelerate initiative, which is aimed at promoting greater diversity in the organization. A number of participants from the Axfood Group will study if any cultural or structural obstacles exist to increasing diversity in the organization. Together with members of the Executive Committee, they will set goals for increasing diversity in management positions. This work was begun in 2013 and is continuing in 2014.

The Group has also set a goal to achieve an even gender balance in management positions. This entails that a minimum of 40% and maximum of 60% shall be of either gender.

To accelerate achievement of this goal, in 2013 Axfood decided that there should always be one candidate of each gender for consideration when a management position is to be filled. At year-end 2013, the share of

women in management positions was 25% (23%); however, Axfood's management training programmes have had an even balance of men and women since 2010. At year-end 2013 the share of women store managers was 26% (27%).

Axfood is one of the initiative-takers behind Diversity Charter Sweden, which is part of a European company network with thousands of members dedicated to sharing knowledge and experience surrounding diversity in an effort to strengthen their business. All member-companies in the Diversity Charter sign a contract that they will work actively with diversity based on set targets.

## Values-based leadership

The Group has defined a leader profile that clarifies which type of leadership is sought after. Axfood works with various methods for evaluating and following up leadership and employee attributes that will ensure a system and structure for leadership succession and identify individuals with leadership potential.

The goal is that 75% of managers should be recruited internally. The aim is to balance length of experience with new thinking and create conditions for constructive dynamics. Axfood provides obligatory training for all leaders in Axfood's core values and view of leadership.

## Health and well-being

During the year, a Group-wide health strategy, "Omtag hälsa" ("Health reboot"), was launched. Since previously, all employees have been encouraged to participate in fitness activities through a fitness subsidy from Axfood. The Group also offers company health services, which focus on preventive measures in the workplace.

The new health strategy has led to the adoption of joint rehabilitation processes, which will highlight good examples and help identify signs of ill-health at an early stage. The goal is to be able to quickly initiate beneficial rehabilitation measures, reduce sickness-related absenteeism and promote a faster return to work after an illness.

Another aspect of the "Omtag hälsa" strategy involves the adoption of improved routines for incident reporting via the Swedish retail trade's work environment information system (HIA). The aim is to identify risks at an early stage and be able to prevent injuries and minimize the risk for operational interruptions. This represents a clear strengthening of the continuous, systematic



work environment and safety work that covers all employees and ensures that Axfood's operations adhere to the Work Environment Act and the Work Environment Authority's guidelines.

**Grow with Axfood**

All Axfood employees are to participate in yearly performance reviews with their immediate supervisor. All stores have a defined set of competency requirements and qualifications that are designed to highlight opportunities and requirements for the respective job roles. Together with a developed programme of training and continuing education courses, this creates conditions for individuals to grow. A trainee programme

for prospective store managers is conducted yearly to secure access to competent and committed store managers.

The Axfood Academy is the Group's centre for training and development programmes. The offering includes instructor-led courses, however, the focus is on digital training platforms – e-learning – which are a cost-effective tool for providing competence development for all employees in the Group. Nearly 50% of employees complete the courses at home, which benefits the environment by eliminating unnecessary travel.

In 2013 a total of 7,300 employees participated in 4,300 training days. In addition, 1,500 employees completed the Group-wide environment training in 2013.

At total of 36,000 e-learning courses were held in 2013, with the main purpose of raising the basic level of competence in stores. Axfood offers e-learning courses in areas such as the environment, sustainability, age verification, safety and food hygiene. The goal of Axfood's broad training programme is to support employees in their development and to make clear which competence profile is needed for various roles.

Axfood was named as "Career Company of the Year" in 2013 by the Swedish business daily *Dagens Industri*. The Company also received a distinction as Competence Company of the Year at the Swedish Competence Trade Fair.



**Satisfied employees**

Axfood conducts regular employee surveys. In the most recent survey, which was conducted in 2012, an Employee Satisfaction Index score of 91% was achieved, which can be compared with the industry benchmark of 85%.

**Priorities 2014**

- Highlight processes for competence succession with a focus on diversity.
- Continue developing alternative meeting forms.
- Implement the "Omtag hälsa" health strategy in an effort to reduce sickness-related absenteeism.

**EMPLOYEE STATISTICS**

|   | 2013    | 2012    | 2011      | 2010      | 2009     |
|---|---------|---------|-----------|-----------|----------|
| Work attendance, retail, %                | 94.9    | 95.1    | 95.5      | 95.4      | 94.9     |
| Work attendance, wholesale, %             | 93.7    | 93.9    | 94.1      | 93.9      | 93.9     |
| Work attendance, staffs, %                | 96.7    | 98.7    | 96.9      | 97.3      | 97.1     |
| Employee turnover rate, %                 | 8.9     | 9.1     | 11.1      | 11.8      | 9.8      |
| Men/women, %                              | 8.0/9.6 | 8.7/9.4 | 10.8/11.4 | 10.8/12.6 | 9.5/10.0 |
| Age category -29, %                       | 12.7    | 13.0    | 16.1      | 16.2      | 13.2     |
| Age category 30-49, %                     | 6.7     | 6.7     | 8.2       | 8.8       | 7.1      |
| Age category 50-, %                       | 8.7     | 8.9     | 10.6      | 12.3      | 10.3     |
| Average service time, years               | 9.8     | 10.5    | 9.8       | 9.1       | 8.9      |
| Number of full-time employees             | 4,386   | 4,367   | 4,318     | 4,332     | 3,840    |
| Number of part-time employees             | 4,016   | 3,758   | 3,484     | 3,486     | 4,298    |
| Average number of employees <sup>1)</sup> | 8,285   | 8,021   | 7,062     | 6,895     | 6,816    |
| Number of men                             | 3,837   | 3,341   | 3,268     | 3,214     | 3,135    |
| Number of women                           | 4,448   | 3,913   | 3,794     | 3,681     | 3,681    |
| Number of training days                   | 4,300   | 5,000   | 4,000     | 3,900     | 2,200    |

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

All employees are covered by collective agreements, which regulate notice periods, among other things (1-12 months, depending on age and service time).



# Society – partnerships and dialogue regarding important responsibility issues

Axfood takes measures to preserve and uphold its relationships with society and its various stakeholders, ranging from consumers to authorities. Together with non-profit organizations and other business actors, the Group works with issues that require a broad base of participation or joint solutions.

## Trade organization monitors regulations

The retail trade organization Svensk Dagligvaruhandel advocates for issues that involve the entire food retail industry. Among other things, the association develops standards and studies how EU legislation should be implemented in Sweden. Axfood also participates in other trade organizations, such as for packaging and newspaper recycling, since these are relevant for operations.

## Company networks

Axfood is one of the founders of the Haga Initiative, a climate-focused network whose aim is to reduce emissions from industry, combat climate change and serve as a role model in climate work. Members commit themselves to reducing their emissions by at least 40% by 2020.

The Swedish Association of Environmental Managers (NMC) and CSR Sweden are two additional company networks that Axfood participates in, focusing on sustainable, responsible business.

Axfood is also belongs to Handelns Säkerhetsgrupp (HSG), a network of security officers from retail chains throughout Sweden. HSG promotes collaboration between its members in an effort to strengthen the industry's security work and foster greater security for employees and customers.



## Pursuing diversity in European collaboration

Axfood is one of the initiative-takers behind Diversity Charter Sweden, which is part of a European company network with thousands of members dedicated to sharing knowledge and experience surrounding diversity in an effort to strengthen their business. All member-companies in the Diversity Charter sign a contract that they will work actively with diversity based on set targets.

## Non-profit organizations

Axfood works on a more long-term level with sustainability issues through partnerships

with a number of non-profit organizations. For example, Willys is a main partner to Save the Children Sweden and also cooperates with the Swedish Society for Nature Conservation. Hemköp works together with SOS Children's Villages, among others, while the Group as a whole supports Save the Children.

With respect to issues related to oceans and fish, Axfood consults with WWF. Together with companies and organizations, Axfood participates in the Roundtable on Sustainable Palm Oil (RSPO) and the Round Table on Responsible Soy Association, both of which serve to protect the world's rain forests and promote sustainable production of

palm oil and soybeans. The focus is currently on establishing an effective system for trading in certified palm oil and soybeans. During the year, Axfood decided to purchase soybean certificates and conducted a mapping of soybean flows, including imports.

**Dialogue with stakeholder organizations**

Axfood maintains regular contact and carries on a dialogue about sustainability issues with a number of stakeholder organizations, including the Swedish Society for Nature Conservation (SSNC), WWF, Greenpeace, Fair Trade Center, the Swedish Consumers Association, Animal Welfare Sweden and Animal Rights Sweden. In its dialogue with SSNC, for example, the focus has been on the issue of chemicals. Palm oil is another important issue of focus in discussions with SSNC, WWF and Greenpeace, for example. Sustainable fishing is also a recurring issue is Axfood's dialogue with environmental organizations. Fair Trade Center focuses on social conditions in production and among suppliers. Swedish consumers are concerned about issues related to animal welfare and product labelling.

## Deposits provided aid to the Philippines

More than SEK 3.4 million in donations was collected for Save the Children in 2013. This is a tremendous figure that rose considerably with customers' help in the final months of the year, when Axfood announced that donations of all bottle and can deposits would be earmarked for the Philippines. To further encourage donations, Willys and Hemköp pledged to match customers' donations. In total the campaign raised nearly SEK 1.3 million in aid for victims of Typhoon Haiyan.

In addition to collections for natural disaster victims in the Philippines, focus during the year was on other Save the Children activities – work with socio-economically deprived areas, youth sports projects in Sweden, and an educational project in Ivory Coast.



## Scandal opened new opportunities

Large parts of the Swedish food industry were shaken by news reports in the spring of 2013 about false content labels in which beef actually turned out to be horse meat. Axfood was also affected, and some five tonnes of lasagne had to be recalled from stores. The lasagne was entirely edible, but the content declaration had been falsified.

Axfood sought permission from the Swedish National Food Agency to distribute the lasagne to people in need instead of discarding it. On the condition that the mislabelled packages were removed and correct content declarations were provided, Axfood's request was approved.

Together with St Clara church in Stockholm, in March Axfood distributed the entire parcel of lasagne with horse meat to people in need.

The cooperation with St Clara church has continued, and during the autumn Axfood also took up cooperation with Centrum church in Stockholm. Every week, two Hemköp stores in Stockholm have been donating food products that have been left over but are still safe to eat, including bread, fruits and vegetables. The food is then handed out to people in need in Stockholm. Central Stockholm currently has some three to five thousand homeless people. Other stores are now looking into the opportunity to work with local partners and contribute to relief organizations.



# GRI-table

For the sixth year in a row, Axfood is reporting its sustainability work in accordance with the Global Reporting Initiative (GRI) guidelines, level B. The report is not subject to external assurance. Axfood is a participant in the Global Compact and adheres to its principles for 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 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 laws, food safety or other laws.

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. Some reporting refers to information in the Annual Report (AR).

| Axfood  | Page reference              | Degree |
|---|-----------------------------|--------|
| <b>Profil</b>   |                             |        |
| <b>1. STRATEGY &amp; ANALYSIS</b>   |                             |        |
| 1.1 CEO statement   | 4                           | ■ ■ ■  |
| 1.2 Description of key impacts, risks and opportunities                                       | 4–6, 7–8, AR 40–41          | ■ ■ ■  |
| <b>2. ORGANIZATIONAL PROFILE</b>  |                             |        |
| 2.1 Name of the organization  | Back cover                  | ■ ■ ■  |
| 2.2 Primary brands, products, and services  | 3, 14, back cover, AR 14–17 | ■ ■ ■  |
| 2.3 Operational structure of the organization   | AR 16–17                    | ■ ■ ■  |
| 2.4 Location of organization's headquarters   | Back cover                  | ■ ■ ■  |
| 2.5 Countries where the organization operates   | 3, 15–16                    | ■ ■ ■  |
| 2.6 Nature of ownership and legal form  | 3, AR 44                    | ■ ■ ■  |
| 2.7 Markets   | 3, flap                     | ■ ■ ■  |
| 2.8 Scale of the organization   | 3, flap                     | ■ ■ ■  |
| 2.9 Significant changes during the reporting period   | 21                          | ■ ■ ■  |
| 2.10 Awards received during the reporting period  | 18, AR 3                    | ■ ■ ■  |
| <b>3. REPORT PARAMETERS</b>   |                             |        |
| <b>Report profile</b>   |                             |        |
| 3.1 Reporting period  | 21                          | ■ ■ ■  |
| 3.2 Date of most recent previous report   | 21                          | ■ ■ ■  |
| 3.3 Reporting cycle Administration report   | 21                          | ■ ■ ■  |
| 3.4 Contact point for questions regarding the report  | 2                           | ■ ■ ■  |
| <b>Report scope and boundary</b>  |                             |        |
| 3.5 Process for defining report content   | 5–8                         | ■ ■ ■  |
| 3.6 Boundary of the report  | 21                          | ■ ■ ■  |
| 3.7 Specific limitations on the scope or boundary of the report                               | 21                          | ■ ■ ■  |
| 3.8 Basis for reporting on joint ventures, subsidiaries, etc.                                 | 21, AR 64–71                | ■ ■ ■  |
| 3.9 Data measurement techniques and calculation principles                                    | 21, AR 64–71                | ■ ■ ■  |
| 3.10 Explanation of the effect of any restatements of information provided in earlier reports | 21                          | ■ ■ ■  |
| 3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.    | 21, AR 64–71                | ■ ■ ■  |
| <b>GRI content index</b>  |                             |        |
| 3.12 Table identifying the location of the Standard Disclosures in the report                 | 21–22                       | ■ ■ ■  |
| 3.13 Policy and current practice with regard to seeking external assurance for the report     | 21                          | ■ ■ ■  |

■ ■ ■ Fully reported  
 ■ ■ ■ Partly reported  
 ■ ■ ■ Not reported

| Axfood  | Page reference      | Degree |
|---|---------------------|--------|
| <b>4. GOVERNANCE, COMMITMENTS &amp; ENGAGEMENT</b>                                    |                     |        |
| <b>Governance</b>   |                     |        |
| 4.1 Governance structure of the organization  | 6, AR 44, 48        | ■ ■ ■  |
| 4.2 The Chairman of the Board's role in the organization                              | AR 47–48            | ■ ■ ■  |
| 4.3 Independent and/or non-executive board members                                    | AR 46               | ■ ■ ■  |
| 4.4 Mechanisms for shareholders and employees to provide recommendations to the board | AR 45               | ■ ■ ■  |
| 4.5 Principles for compensation to senior executives                                  | AR 74–75            | ■ ■ ■  |
| 4.6 Processes for avoiding conflicts of interests in the board                        | AR 46               | ■ ■ ■  |
| 4.7 Processes for determining the qualifications of board members                     | AR 45–46            | ■ ■ ■  |
| 4.8 Mission, values, Code of Conduct, etc.  | 5–6, AR 6           | ■ ■ ■  |
| 4.9 The board's monitoring of the sustainability work                                 | AR 48               | ■ ■ ■  |
| 4.10 Processes for evaluating the board's work  | AR 47–48            | ■ ■ ■  |
| <b>Commitments to external initiatives</b>  |                     |        |
| 4.11 Explanation of whether and how the precautionary principle is applied            | 5                   | ■ ■ ■  |
| 4.12 Endorsement of external voluntary codes, principles or other initiatives         | 5, 12–13, 15, 19–20 | ■ ■ ■  |
| 4.13 Memberships in associations  | 15, 17, 19–20       | ■ ■ ■  |
| <b>Stakeholder engagement</b>   |                     |        |
| 4.14 List of stakeholder groups   | 5, 19–20            | ■ ■ ■  |
| 4.15 Basis for identification and selection of stakeholders with whom to engage       | 5                   | ■ ■ ■  |
| 4.16 Approaches to stakeholder engagement   | 19–20               | ■ ■ ■  |
| 4.17 Key topics and concerns that have been raised through stakeholder engagement     | 5–6, 12, 19–20      | ■ ■ ■  |
| <b>5. ECONOMIC INDICATORS</b>   |                     |        |
| Sustainability governance, Finance  |                     |        |
| EC1. Direct economic value generated and distributed                                  | AR 4–13             | ■ ■ ■  |
| EC2. Risks and opportunities for the organization due to climate changes              | AR 56–63            | ■ ■ ■  |
| EC3. Coverage of the organization's defined benefit plan obligations                  | 5–8, 10–11          | ■ ■ ■  |
| EC4. Financial assistance received from government                                    | AR 80–82            | ■ ■ ■  |
| EC6. Policy, practices, and proportion of spending on locally-based suppliers         | AR 79               | ■ ■ ■  |
| EC7. Local hiring and proportion of senior management hired from the local community  | 17–18               | ■ ■ ■  |
| EC8. Infrastructure investments and services provided for public purposes             |                     | ■ ■ ■  |

| Axfood  | Page reference     | Degree |
|---|--------------------|--------|
| <b>6. ENVIRONMENTAL PERFORMANCE INDICATORS</b>  |                    |        |
| Sustainability governance, Environment  | 5–11               | ■ ■ ■  |
| EN1. Materials used by weight or volume   |                    | ■ ■ ■  |
| EN2. Percentage of recycled input materials   |                    | ■ ■ ■  |
| EN3. Direct energy consumption by primary source  | 11                 | ■ ■ ■  |
| EN4. Indirect energy consumption by primary source  | 11                 | ■ ■ ■  |
| EN5. Energy saved due to conservation and efficiency improvement  | 9–11               | ■ ■ ■  |
| EN7. Initiatives to reduce indirect energy consumption and results  | 9–11               | ■ ■ ■  |
| EN8. Total water withdrawal by source   |                    | ■ ■ ■  |
| EN11. Location/scope of land owned near protected areas/areas of biodiversity value                           |                    | ■ ■ ■  |
| EN12. Impacts of products or operations on biodiversity   |                    | ■ ■ ■  |
| EN16. Direct and indirect greenhouse gas emissions, by weight   | 9–11 <sup>1)</sup> | ■ ■ ■  |
| EN17. Other relevant indirect greenhouse gas emissions, and result  | 9–11               | ■ ■ ■  |
| EN18. Initiatives to reduce greenhouse gas emissions  | 9–11, 12           | ■ ■ ■  |
| EN19. Emissions of ozone-depleting substances   |                    | ■ ■ ■  |
| EN20. NO, SO <sub>2</sub> and other significant air emissions, by weight per type                             |                    | ■ ■ ■  |
| EN21. Total water discharge, quality and recipient  |                    | ■ ■ ■  |
| EN22. Waste by type and disposal method   | 10                 | ■ ■ ■  |
| EN23. Number and volume of significant spills   |                    | ■ ■ ■  |
| EN26. Initiatives to mitigate environmental impacts of products and services                                  | 10, 12–14, 19–20   | ■ ■ ■  |
| EN27. Products sold and their packaging materials that are reclaimed  | 10, 13, 14         | ■ ■ ■  |
| EN28. Fines and/or non-monetary sanctions for non-compliance with environmental laws                          | 21                 | ■ ■ ■  |
| EN29. Environmental impact of transports  | 9                  | ■ ■ ■  |
| <b>7. SOCIAL PERFORMANCE INDICATORS</b>   |                    |        |
| Sustainability governance, Social   | 5–8, 15–20         | ■ ■ ■  |
| <b>Employment conditions and terms</b>  |                    |        |
| LA1. Total workforce by employment type, contract and region  | 18                 | ■ ■ ■  |
| LA2. Rate of employee turnover by age group, gender and region  | 18                 | ■ ■ ■  |
| LA3. Benefits to full-time employees  | 17                 | ■ ■ ■  |
| LA4. Percentage of employees covered collective bargaining agreements   | 18, AR 37          | ■ ■ ■  |
| LA5. Minimum notice period(s) regarding operational changes   | 18, AR 37          | ■ ■ ■  |
| LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees | 17                 | ■ ■ ■  |
| LA7. Rates of injury, occupational diseases, lost days, work-related fatalities                               | 18                 | ■ ■ ■  |

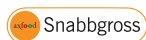
| Axfood  | Page reference | Degree |
|---|----------------|--------|
| LA8. Education, training, prevention and risk-control programmes in place   |                | ■ ■ ■  |
| LA9. Health and safety topics covered in formal agreements with trade unions  | AR 37          | ■ ■ ■  |
| LA10. Average hours of training per year per employee   | 18             | ■ ■ ■  |
| LA12. Employees receiving regular performance and career development reviews  | 18             | ■ ■ ■  |
| LA13. Composition of governance bodies and employees according to diversity indicators  | 8, 17, AR 74   | ■ ■ ■  |
| LA14. Ratio of basic salary of men to women   |                | ■ ■ ■  |
| <b>Human rights</b>   |                |        |
| HR1. Investment agreements that include human rights clauses  | 8, 15–16       | ■ ■ ■  |
| HR2. Suppliers that have undergone screening on human rights, and actions taken   | 15–16          | ■ ■ ■  |
| HR4. Total number of incidents of discrimination and actions taken  |                | ■ ■ ■  |
| HR5. Operations where freedom of association and collective bargaining may be at significant risk and actions taken                       | 15–16          | ■ ■ ■  |
| HR6. Operations identified as having significant risk for incidents of child labour and actions taken                                     | 15–16          | ■ ■ ■  |
| HR7. Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken                      | 15–16          | ■ ■ ■  |
| <b>Society</b>  |                |        |
| SO1. Programmes for evaluating the operation's impacts on communities   |                | ■ ■ ■  |
| SO2. Business units analysed for risks related to corruption  | AR 40          | ■ ■ ■  |
| SO3. Employees trained in the organization's anti-corruption policies and procedures  | 6              | ■ ■ ■  |
| SO4. Actions taken in response to incidents of corruption   |                | ■ ■ ■  |
| SO5. Participation in public policy development and lobbying  | 19             | ■ ■ ■  |
| SO8. Monetary value of fines for non-compliance with applicable laws  | 21             | ■ ■ ■  |
| <b>Product responsibility</b>   |                |        |
| PR1. Life cycle stages in which health and safety impacts of products and services are assessed   | 8, 10          | ■ ■ ■  |
| PR3. Type of products and service information required by procedures, and percentage of products subject to such information requirements | 12–14          | ■ ■ ■  |
| PR6. Programmes for adherence to laws, standards and voluntary codes for marketing communications   | 12–14          | ■ ■ ■  |
| PR9. Monetary value of fines for non-compliance with regulations concerning the use of products and services                              | 21             | ■ ■ ■  |

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

**Text and production:** Hallvarsson & Hallvarsson in cooperation with Axfood. **Design and final art:** Hallvarsson & Hallvarsson.  
**Photo:** Mats Lundqvist, Elisabeth Ohlson Wallin pp. 4, a.o. **English translation:** NewStart Communications.

# axfood

**Hemköp** **WILLY:S** **WILLY:S** **Hemma** **Dagab**



## **Axfood AB**

SE-107 69 Stockholm  
Visitors' address  
Norra Stationsgatan 80C  
Tel +46-8-553 990 00  
info@axfood.se  
www.axfood.se



## **Axfood IT AB**

SE-107 69 Stockholm  
Visitors' address  
Norra Stationsgatan 80C  
Tel +46-8-553 990 00  
info@axfood.se

## **Hemköpskedjan AB**

SE-107 69 Stockholm  
Visitors' address  
Norra Stationsgatan 80C  
Tel +46-8-553 990 00  
info@hemkop.se  
www.hemkop.se



## **Dagab**

Box 640  
SE-136 26 Haninge  
Visitors' address  
Lillsjövägen 7  
Jordbro Företagspark  
Tel +46-8-500 710 00  
info@axfood.se

## **Axfood Sverige AB**

SE-107 69 Stockholm  
Visitors' address  
Norra Stationsgatan 80C  
Tel +46-553 990 00  
info@axfood.se

## **Axfood AB**

Shared Service Center  
SE-551 93 Jönköping  
Visitors' address  
Bataljonsgatan 12  
Tel +46-36-36 41 00  
info@axfood.se

## **Willys AB**

SE-412 86 Göteborg  
Visitors' address  
Falkenbergsgatan 3  
Tel +46-31-733 31 00  
info@willys.se  
www.willys.se



## **Axfood Närlivs**

Box 1742  
SE-701 17 Örebro  
Visitors' address  
Handelsgatan 5  
Tel +46-19-603 03 50  
info@narlivs.se  
www.narlivs.se  
www.snabbgross.se

