

# AXFOOD

SUSTAINABILITY REPORT **2014**



**Breakthrough  
for organic food**

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**Bye-bye caged eggs!** A bag of groceries from Willys should be not only cheap, but also sustainable. Willys' share of organic products is growing every year, and animal welfare issues are high on the agenda. In October 2014 Willys stopped selling eggs from caged hens, a move that was applauded by customers.



**Hemköp sells only organic bananas** On World Environment Day on 5 June, Hemköp was the first grocery chain in Sweden with its announcement to sell only organic bananas. The decision made a great impact in social media and had a very positive reception.

**Young at Axfood** Getting your first job can be tough. We know this at Axfood, which is why we took an initiative in autumn 2014 for young people seeking a path in the job market through our Ung i Axfood ("Young at Axfood") youth trainee programme.



**New cooperation with WWF on fish and shellfish issues** In autumn 2014 Axfood entered into a partnership with WWF on fish and shellfish issues as part of a redoubled effort to ensure a sustainable offering to customers. A shared goal is that all seafood sold in Axfood's stores will earn a "green light" in WWF's seafood guide.

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

Food retailing is conducted through the wholly owned store chains Willys and Hemköp. Wholesaling is conducted through Dagab and Axfood Närlivs.

**259**  
wholly  
owned stores

Axfood has 259 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 brands.

Collaboration with  
**820**  
proprietor-run stores

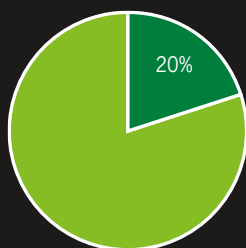
Nasdaq  
**OMX**

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 a key to success

Our goal is to make the smallest footprint on the environment as possible, for the sake of future generations. That is why we have taken an involvement in the Haga Initiative – to show that environmental stewardship is profitable. I am proud of the work we have done at Axfood to date, but we have a lot more to do. We must continue our determined work according to the strategic plan we have set.

Saving the environment requires the involvement of private people as well as companies, politicians and authorities. No one can passively wait for someone else to do the job. It is for this reason that we have set up ambitious climate targets at Axfood. Our goal is to be climate-neutral as early as 2020. This means that we will have to reduce our climate impact by 75%. It is an ambitious goal.

## OUR RESPONSIBILITY FOR PRODUCTS

With respect to food, the greatest environmental impacts are caused by their actual production, at the farm. This aspect is more difficult for Axfood to influence, so our environmental responsibility is moved farther up the value chain. This requires hard work from our purchasing department, which must make clear demands based on our environmental plan and thereby develop a system of internal control to ensure we get what we have ordered.

Palm oil is an example of a food ingredient with a large environmental impact. Our strategy is to ensure that all palm oil used in our private label products is certified and sustainably produced. We are working intensively on this matter in our global effort towards increasing the share of certified palm oil in general. In cases where palm oil is used in our products, it is to be certified.

## ANIMAL WELFARE CREATES VALUE

Equally important is to ensure meat production that meets all of our demands. It is a matter of good animal care, advocating for some form of certification for the various types of animals, and continued work on reducing the use of antibiotics. The use of antibiotics in healthy animals poses a great risk to us as people.

## SUSTAINABLE FISHING

Axfood has advocated for sustainable fishing practices since 2009, when we adopted a seafood policy in our wholly owned stores. In doing so we have taken the vanguard in the industry and continue to do so today. Since then we have further developed our policy to where our stores quite simply may not sell red-listed seafood. All of Hemköp's fish counters are MSC-certified. Our goal is to sell only fish assigned a green light from WWF by 2020.

The foundation for responsible work with products is to have control over their origin. It is for this reason that all of our private label products will be labelled with information about where the main ingredients come from. When it comes to indicating the source of meat ingredients on packaging, this has already been accomplished for our private label products.

## WORKING TOGETHER

We are on an exciting journey, and the level of involvement within the organization is great. The store is an important meeting place, where diversity among our employees can create dynamism and innovative thinking to the customers' benefit. The store is also the stage, where together we can support customers in making conscious choices. It makes me very proud to see how all aspects of our operation are working in concert towards the goal of being best in the industry at sustainability. This shared vision within the company is great. For us sustainability is a key to success.



A handwritten signature in black ink that reads "Anders Strålmán". The signature is fluid and cursive, written over a white background.

Anders Strålmán  
President and CEO, Axfood AB

# Sustainability work that is contributing to the industry's development

Axfood has set a clear goal to be best in the industry at sustainability. This requires a long-term and systematic approach with continuous development and close monitoring. This work is highly visible in Axfood's customer offerings and helps strengthen the business.

## Strategic work

Axfood's goals and strategies rest on a conviction that environmental and social responsibility, strong customer orientation, and proud and committed employees are vital drivers of the Company's value creation. Work with the environment and sustainable development is therefore conducted actively to make Axfood best in the industry. The starting point for this work is

Axfood's core values, Code of Conduct and sustainability programme, which includes measurable goals for both the short and long term.

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's environmental policy prescribes

that the precautionary principle is to be used proactively in environmental work.

Axfood strives for continuous change in its work with the environment, natural resources and social issues. Through systematic work with environmental and social issues – entailing clear targets, actions and monitoring – this work can be followed by customers, employees, owners and society in general. As part of this strategic work, the Group's purchasing function has been strengthened and further developed with respect to the environment, social responsibility and animal welfare.

The UN's guiding principles established in 2011 for companies and human rights serve as the foundation for how Axfood

## The Global Compact's ten principles

Axfood became a signatory to the Global Compact's principles in 2002. The UN's Global Compact was formed to create international business principles with regard to human rights, labour issues, the environment and anti-corruption.

### Human rights

**Principle 1** Businesses should support and respect the protection of internationally proclaimed human rights within areas that they can have an impact; and

**Principle 2** make sure that they are not complicit in human rights abuses.

### Labour

**Principle 3** Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4** the elimination of all forms of forced and compulsory labour;

**Principle 5** the effective abolition of child labour; and

**Principle 6** the elimination of discrimination in respect of employment and occupation.

### Environment

**Principle 7** Businesses should support a precautionary approach to environmental challenges;

**Principle 8** undertake initiatives to promote greater environmental responsibility; and

**Principle 9** encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

**Principle 10** Businesses should work against corruption in all its forms, including extortion and bribery.



takes responsibility for human rights in its operations. The Group's sustainability reporting is conducted in accordance with the Global Reporting Initiative (GRI) Guidelines 3.0, level B.

**Challenges and opportunities**

Axfood's operations are affected by environmental policy decisions as well as by evolving public opinion regarding environmental issues and changes in consumer demand. For example, new environmental policy decisions may entail higher taxes or regulations that could give rise to a need for new investments. The Company therefore closely monitors developments in this area and prioritizes climate and environmental aspects in all aspects of operations. During the year Axfood established a regulatory liaison position as a step towards strengthening relationships with politicians in Sweden and the EU, and to more closely monitor developments with relevance for Axfood.

The climate issue is one of the greatest challenges we face today. Climate change, as evidenced by droughts and floods, for example, poses significant risks for food production. For Axfood this is putting greater demands on strategic purchasing, among other things. This can entail, for example, ensuring that the Group is not dependent on food ingredients from a single region, as an increased frequency of extreme weather can

make harvests uncertain. Axfood is also contributing to more sustainable production of palm oil and soy.

Rising energy prices and stricter 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 a clear origin. Axfood is therefore working actively to meet the rising demand for sustainable products. Through communication in stores, Axfood is also helping customers make conscious choices, such as by ensuring that all of its private label products that contain meat are clearly labelled with the source of origin. Intensive work is now being conducted on labelling the country of origin for other food ingredients. Axfood believes that the use of sustainability certifications, such as for integrated production, Global GAP and animal welfare, will increase in retailing and at stores.

By actively working with the assortment of organic and vegetarian products, Axfood is seizing opportunities to meet consumer de-

mand. There is a clear environmental and health trend among consumers that is reflected in growing demand for such products.

Axfood's guidelines for sustainable purchasing have been more closely integrated in the Group's day-to-day purchasing activities. Relationships with suppliers are governed by the Company's Code of Conduct with respect to social and business ethics issues.

**Axfood's Code of Conduct**

Axfood is to conduct its business in accordance with generally accepted business practice and high ethical standards in relation to suppliers and other business partners. The Axfood Group Code of Conduct lays out the requirements and expectations that Axfood has on its suppliers.

Axfood adheres to a set of ethical guidelines for matters such as the offering and accepting of bribes and corruption, and which also address other aspects of how we at Axfood are to act in relation to our suppliers and others in our operating environment. These guidelines are updated every year, and pertinent employees certify in writing that they have read the guidelines. In 2014, 1,040 (1,070) employees signed such a certification, including persons with payment approval authorization and employees who in some other way affect decisions about purchases of products or services. The lower number is due to reorganization.

# Axfood's stakeholders

Axfood's most important stakeholders are the groups of people who are affected most by and/or affect the Company's

operations. 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.



**Employees**

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



**Society**

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



**Customers**

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

**Suppliers**

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

**Organization and monitoring**

Axfood works with sustainability in an integrated and business-driven manner in all areas of operations. This fosters involvement throughout the organization. The Executive Committee and Head of Environment and Social Responsibility are responsible for overarching strategies, goals and actions, and monitoring.

A prerequisite for integrated work is that the individual companies and divisions within Axfood have operational responsibility for their sustainability work. All of Axfood's companies and larger departments have their own sustainability coordinator.

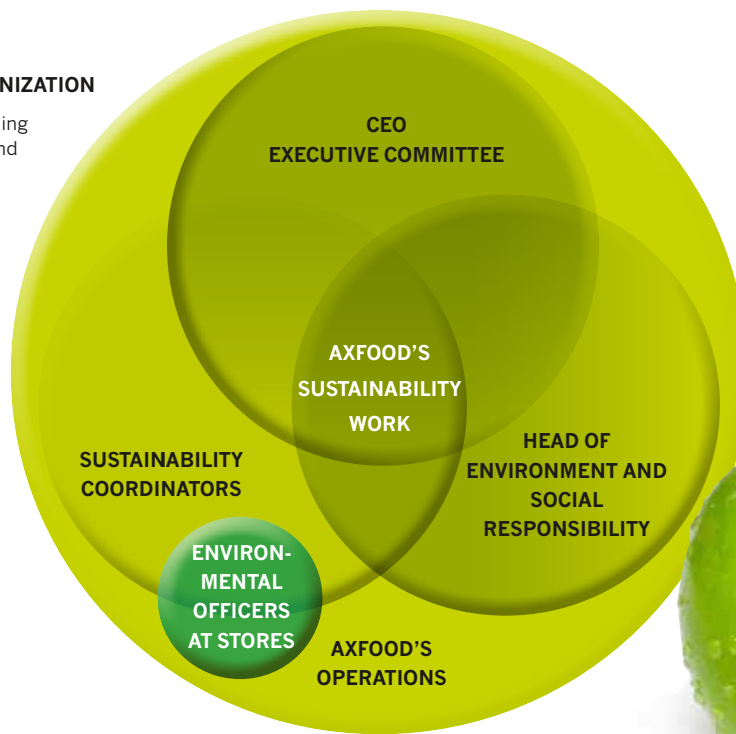
A new position as head of product sustainability has been established in the quality assurance department and is a further

development of the role of sustainability coordinator, which has strengthened work in this area in pace with its growing importance.

Axfood conducts continuous competence enhancement activities to raise employees' knowledge about sustainability issues and Axfood's commercial benefit of being an industry leader in this area.

**SUSTAINABILITY ORGANIZATION**

Responsibility for overarching strategies, goals, actions and monitoring 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. An example of this is the environmental ambassadors at all Willys stores.



**Development of new packaging solution**



When designing a new package – whether it be for a new product or an improvement to a current solution – the starting point is to always choose the best possible material from an environmental standpoint. Making sure that the package is easy to recycle is one of the first considerations made by Lisa Säfwenberg, Axfood's packaging developer. In the next step, she evaluates the form and design, to eliminate unnecessary waste. Lisa also makes sure that we are not transporting unnecessary air. In this regard it has been proven that square packages are often better than round ones. Generally speaking, every package should have as little air as possible to create room for more packages on each pallet, which in turn is positive from an environmental perspective.



# Sustainability programme with challenging goals

Axfood's sustainability programme is a governance tool for the Group's work. The programme describes the goals that have been set and includes a set of key ratios for monitoring. Every year the programme is updated in pace with continuing work and the formulation of new targets. Several new targets were set in 2014, a few of which are highlighted in this section. A more detailed account of the programme and all targets and results is provided on page 23 and at [axfood.se](http://axfood.se).

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 purchasing guidelines</li> <li>• Axfood will work actively for more sustainable production of palm oil and soy</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 from own operations by 75% by 2020 (base year 2009), and be climate-neutral</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>ANIMAL WELFARE</b></p> 	<ul style="list-style-type: none"> <li>• Axfood will contribute to improvements in animal welfare</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>



TARGETS/KEY RATIOS	RESULTS 2014	RESULTS 2013
<ul style="list-style-type: none"> <li>Willys will increase its sales of organic food to 3% of total sales in 2014</li> <li>Hemköp will increase its sales of organic food to 6% of total sales in 2014</li> <li>Axfood's private label products will include information about the country of origin for the main ingredients by 2015 at the latest</li> <li>The palm oil used in Garant products will be certified</li> <li>Certified soy or soy or soy certificates will begin to be used for a minimum of 50% of production of Axfood's private label products by 2014 at the latest and 100% by 2015</li> </ul>	<p>3.6%</p> <p>6.0%</p> <p>In progress</p> <p>75.0%</p> <p>50.0%</p>	<p>2.5%</p> <p>4.6%</p> <p>New target set for 2014</p> <p>Certification begun</p> <p>Certification begun</p>
<ul style="list-style-type: none"> <li>Dagab will reduce its CO<sub>2</sub> emissions from transports by 10% per tonne of transported goods in 2014</li> <li>The Axfood Group will reduce its air travel by 15% in 2014 (base year 2012)</li> </ul>	<p>-11.0%</p> <p>-4.0%<sup>1)</sup></p>	<p>New target set for 2014</p> <p>+6.2%<sup>1)</sup></p>
<ul style="list-style-type: none"> <li>The Axfood Group will reduce its energy consumption by 25% per square metre by 2015 (base year 2009)</li> <li>Dagab will reduce its consumption of district heating by 15% by year-end 2014 (base year 2012)</li> </ul>	<p>-5.8%<sup>2)</sup></p> <p>-38.0%<sup>2)</sup></p>	<p>-5.3%<sup>2)</sup></p> <p>New target set for 2014</p>
<ul style="list-style-type: none"> <li>In 2014 Axfood will begin work on performing routine risk analyses in all supply chains with an elevated risk for non-compliance with Axfood's sustainability requirements. Work on mitigating and managing these risks will be started</li> </ul>	<p>Work in progress. Axfood has identified 64 producers in some 40 product categories originating in some 30 risk countries</p>	<p>Axfood became a member of BSCI in 2013</p>
<ul style="list-style-type: none"> <li>Hemköp's sales of organic meat will amount to 4% of total meat sales in 2014</li> <li>Packaging of Axfood's private label products will include information about the country of origin for meat ingredients</li> </ul>	<p>3.6%</p> <p>100%</p>	<p>2.5%</p> <p>98.0%</p>
<ul style="list-style-type: none"> <li>Continued high work attendance rate of at least 95%</li> <li>Achieve an even gender balance in management positions, i.e., that women and men will be represented within a range of 40%–60%</li> <li>By 2020 at the latest, 20% of Axfood's managers will have an international background</li> </ul>	<p>94.6%</p> <p>74.0% men</p> <p>26.0% women</p> <p>Values for 2014 were not available at the time of publication of this report</p>	<p>94.7%</p> <p>75.0% men</p> <p>25.0% women</p> <p>11.0%</p>

<sup>1)</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>2)</sup> Compared with base year.

# Investments in environmental work generating results

Axfood's most relevant environmental aspects are energy consumption, transports and material flows. The Group's systematic environmental work is leading to continuous improvements, and analysis of the value chain is enabling decisions about which efforts can have the greatest impact.

## Successful improvements in energy efficiency

Through systematic measurement and monitoring, the Group's energy need can be reduced. Axfood's goal is to reduce its electricity consumption by 25% per square metre by 2015 (base year 2009) at the same time that demand for fresh and refrigerated products is rising, which is increasing the need for refrigeration. Focus on energy efficiency is therefore great in connection with remodelling and new construction of stores. Since the base year 2009, Axfood has reduced its electricity consumption by -5.8%.

Warehouses and cold storage warehouses are the single largest consumers of energy in the Group. During the year an evaluation was conducted of Axfood's investment in 2013 in a solar panel system at Dagab's freezer warehouse in Gothenburg and showed good results. The system covers approximately 5% of the warehouse's

energy need on a yearly basis and as much as 20% during the summer months, when the need for refrigeration is the greatest.

## Greater precision in transport monitoring

Every day the Group handles substantial product flows in its operations, requiring detailed transport and logistics planning. In an effort to reduce their climate impact, Dagab and Axfood Närliv – which handle the Group's own transports – work with route planning, capacity utilization and driver training in eco-driving. Axfood has a fleet of 137 (137) delivery trucks that account for roughly half of transports, while the Group also uses the services of a number of independent hauliers.

The trucks in Axfood's own fleet use Evolution Diesel, which is a 25% blend of pine oil in standard diesel fuel, resulting in lower CO<sub>2</sub> emissions than standard diesel. The exception is the nine trucks that run

only on RME biodiesel. In cooperation with Volvo, during the year Axfood tested two trucks powered by liquid petroleum gas.

## New ways of meeting

The Group's goal is to reduce business travel by offering alternative meeting forms, such as digital meeting platforms. Reducing travel is an environmental issue as well as a work environment issue. Consideration is also given to the employees' opportunities to combine their work and leisure time to maintain a sound balance. For necessary travel, priority is to be given to rail or coach over air travel, and all air travel is climate-compensated. During 2014 Axfood measured an increase in travel-free meetings by more than 30%. Reducing the amount of air travel continues to be a major challenge, as it requires changing patterns and creating new habits.

Axfood's company cars meet all the requirements in the 2012 definition for environmental ("green") cars.

## Recycling at stores

During the year Axfood adopted a new key ratio to measure reductions in the share of incinerable residual products in relation to sales. The aim is to increase material recycling through improved sorting.

All of Axfood's stores, warehouses and offices sort many fractions. Materials like shrink wrap and corrugated board are sorted and are profitable fractions that are sold. A growing share of food waste is sorted for biogas production.

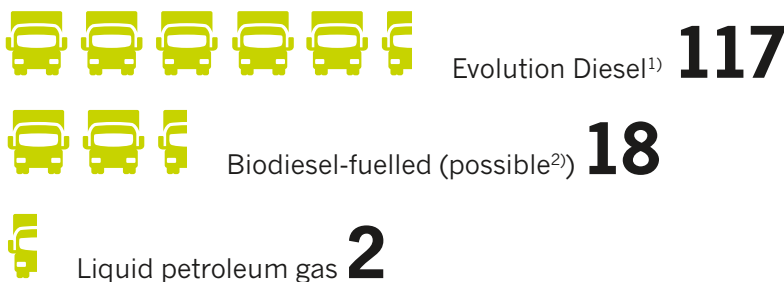
Axfood is working in various ways to optimize its use of resources and prevent food waste, such as through improved ordering routines and flow control. In addition, solutions are being pursued at the local level through collaboration with non-profit organizations to donate food.

## Environmental impact from products

By analyzing the environmental cost of selected products, Axfood is seeking to identify opportunities to reduced the environmental impact in its choice of products. By

## Axfood's vehicle fleet

Newer delivery vehicles have a lower environmental impact. Axfood's fleet is modern, and more than 85% of the vehicles meet EURO class 5 or 6.



<sup>1)</sup> 25% biofuel.

<sup>2)</sup> Certain vehicles cannot be run on biodiesel during the winter due to technical limitations in the vehicles' performance.

instilling greater knowledge and making clearer demands on suppliers, Axfood can focus on more sustainable products.

In 2014, in partnership with 26 other food companies and organizations in the "Swedish Soy Dialogue", Axfood committed itself to purchasing soy certificates. Certificates are bought both for the soy used in products and for soy used indirectly in the form of animal feed. Axfood began buying certificates in 2014, with the goal, starting in 2015, to buy certificates for all soy that is

used directly or indirectly in Axfood's private label products. Soy is used in animal feed and thus indirectly in Axfood's products.

Axfood is working to either substitute palm oil with other vegetable oils or to purchase certificates for the volume of palm oil that is used in the Group's private label products. The next step is to change over to certified palm oil in products. The aim is to promote sustainable palm plantations and production of palm oil, and thereby protect rain forests. In 2013, 1,185 tonnes of palm

oil were used in Axfood's private label products. An estimated 1,500 tonnes were used in 2014. The reason for the increase was an increase in the number of private label products by 68.

The SIN List<sup>1)</sup> is a key tool in the work on ensuring that products are in compliance with future environmental standards.

<sup>1)</sup> SIN stands for "Substitute It Now!" and is a list of particularly hazardous substances that have been identified based on the criteria established by the EU chemicals regulation REACH.

**ELECTRICITY CONSUMPTION FOR GROUP-OWNED STORES AND WHOLESALE FACILITIES<sup>1)</sup>**

	2014	2013	2012
Retailing, MWh	224,990	237,890	238,978
Wholesaling, MWh <sup>2)</sup>	28,744	28,280	29,740
Total, MWh	253,734	266,170	268,718
Number of stores	259	252	246
Electricity consumption kWh/m <sup>2</sup> , stores	383	400	406
Electricity consumption kWh/m <sup>2</sup> , wholesale facilities	205	210	228
Total CO <sub>2</sub> , tonnes <sup>3)</sup>	25,435	16,264	18,726

<sup>1)</sup> Electricity consumption is calculated on a like-for-like basis for units that had electricity consumption for the full year during the respective comparison years.

<sup>2)</sup> The warm summer and autumn had a negative impact on electricity consumption.

<sup>3)</sup> The value of the residual mix rose sharply in 2014, resulting in higher CO<sub>2</sub> emissions.

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

	2014	2013
Total CO <sub>2</sub> , tonnes	9,636	10,207
CO <sub>2</sub> kg/tonne goods	20.0	21.9
CO <sub>2</sub> kg/SEK m in sales <sup>1)</sup>	835.8	862.9
Number of vehicles in fleet	137	137
No. vehicles with breath alcohol ignition interlock devices	137	126

<sup>1)</sup> Pertains to delivered value using own fleet.

**Priorities 2015**

Continue efficiency improvement work in all operations.

Monitor changes in the share of incinerable waste in relation to sales per store.

Redouble efforts to avoid the use of unsuitable chemicals in products.

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

	2014	2013	2012
CO <sub>2</sub> air travel, tonnes <sup>2)</sup>	627	622	868
CO <sub>2</sub> rail travel, tonnes <sup>1)</sup>	0	0	0
CO <sub>2</sub> car travel, tonnes	527	620	738

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

<sup>2)</sup> While the total number of business trips by air has decreased, CO<sub>2</sub> emissions have risen due to a larger number of international flights with longer distances.

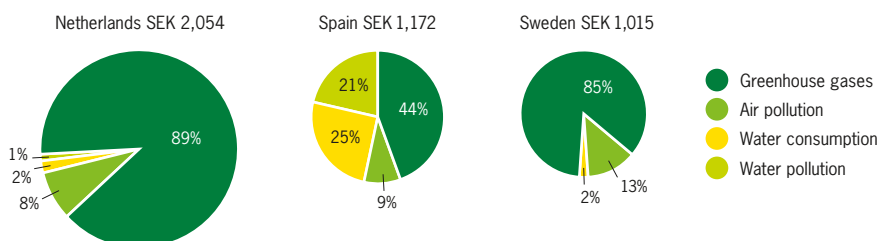
**Swedish tomatoes have lowest environmental impact**

Axfood has commissioned a comparative study of the environmental impact of tomatoes from the Netherlands, Spain and Sweden. Tomatoes grown in the Netherlands have the highest environmental impact, since the country's greenhouses

are heated using fossil fuels. Despite longer transports, Spanish tomatoes performed better in the comparison, since Spanish greenhouses do not need to be heated. Spanish tomatoes have an elevated environmental impact due to heavy use of

scarce water and water pollution. Swedish greenhouses are generally heated using renewable fuels, there is no scarcity of water, and transport distances are short.

**ESTIMATED COST OF ENVIRONMENTAL IMPACT PER TONNE OF TOMATOES**



# Growing interest in sustainable products

Axfood's customers are showing a growing interest in local products and organic alternatives at the same time that they want safe foods that give them value for money. During the year, work was focused on expanding the assortment of organic products and on making it easier for consumers to make conscious, well informed choices in stores.

## Only "green light" seafood by 2020

During the year Axfood made the decision to sell only fish and shellfish assigned a green light in WWF's seafood guide by 2020 at the latest. While neither Willys nor Hemköp have sold red light-listed fish since 2008, this new decision marks a further step forward. The challenge in changing over to the green list entirely is posed by ensuring a supply of farmed salmon that meets the certification requirements of the ASC or KRAV standards, since salmon accounts for such a large level of volume in the offering. In 2013 all of Hemköp's staffed fish counters in its wholly owned stores were certified in accordance with the Marine Stewardship Council (MSC).

In autumn 2014 Axfood signed a cooperation agreement with WWF to work together towards the goal of selling only seafood earning a green light and to raise the level of competence within Axfood and its chains

with respect to making better risk assessments of seafood products. Axfood and WWF have also supported an evaluation of new fishing gear for shrimp fishing off Sweden's west coast. With better equipment, fishermen can avoid catching undersized shrimp. Scientists from the Swedish University of Agricultural Sciences are evaluating the method, and the goal is to obtain MSC certification for west coast shrimp. Small shrimp that are not profitable for sale in the marketplace are commonly tossed overboard, which is illegal. This practice was the main reason for WWF's decision in early 2014 to assign a red light to west coast shrimp.

## Source labelling on the rise

Clearer source labelling of foods is another important area of focus for facilitating consumers' choices. Axfood was first in the industry to set a goal to source-label the main ingre-

dients of its products. The country of origin for the main ingredients is to be shown on the product labels. In 2015 Axfood will continue its work on achieving this goal. By year-end 2014 it was already achieved for a large number of products. For products containing meat, the 100% goal has already been achieved.

During the year, Axfood entered into a partnership with a meat processing plant in Värmland that has committed capacity for three hog farmers' production. Without this support the three farms were at risk of closure. For Axfood the decision was motivated by an interest in securing its supply of Swedish meat in the future.

## Initiatives for improved animal welfare

Axfood has adopted new goals to strengthen its work on safeguarding animal welfare. For example, preference within the Group is given to organic meat certified by KRAV, since this certification has the most far-reaching standards for animal welfare. Also, during 2014 animal welfare certifications in various countries were catalogued, and the next step will be to decide if and how these certifications will be included in the requirements for suppliers of Axfood's private label products.

## Focused path towards sustainable fish

**2008:** Axfood adopts seafood policy to not sell red-listed fish from WWF, and to strive to sell green-listed fish or environmentally certified fish.

**2013:** Decision on MSC certification of Hemköp's fish counters.

**2014:** Decision to sell only green-listed seafood in all Axfood stores by 2020.

**2014:** Cooperation agreement with WWF to strengthen work on more sustainable fish counters at Axfood stores and to achieve the goal set for 2020.



During the year, Willys stopped selling eggs from caged hens at all of its stores and has now changed over entirely to eggs from free range hens. Hemköp has sold only eggs from free-range hens for several years, and the response from customers has been very positive. In addition, there is strong interest in organic eggs: nearly one in ten eggs sold by Willys stores is organic, while for Hemköp one in five eggs sold is organic.

One initiative that is expected to generate clearer results in the near term is an evaluation of suppliers of imported meat, focusing on the use of antibiotics and its minimization. Together with Axfoundation and Martin & Servera, Axfood has been working with an expert panel on development of a list of criteria that purchasers can use for suppliers concerning the use of antibiotics and animal welfare. The hopes are to encourage the industry as a whole to embrace the issue of responsible use of antibiotics.

**Focus on sustainable production**

The growing interest in organic products is being driven by a number of inter-related factors, including greater environmental and health awareness, but also concerns about pesticide residues in food. For certain products, organic alternatives have made an extra large impact. Such is the case with bananas. In June, Hemköp celebrated World Environment Day with an announcement to sell only organic bananas. The phase-out has taken place gradually. During the summer all Group-owned stores stopped selling conventional bananas. By year-end, all proprietor-run stores had also changed over to selling only organic bananas.

Axfood has also decided that tea and coffee sold under its Garant private label must come from Rainforest Alliance-certified plantations. This has positive effects for the environment, economy and social conditions among suppliers.

Another new measure is the requirement that dried foods, such as rice, flour and pasta, be certified for integrated production by 2015 according to the Svenskt Sigill, Global GAP or other equivalent standards.

For the year in total, organic products accounted for 4.1% of total sales, and Axfood's assortment now includes 1,254 (950) organic products.

Another relevant trend is the marked growth in sales of vegetarian products, which reflects the growing interest in environmental and health issues. During the year Axfood's sales of vegetarian alternatives to minced meat, meatballs and sausages increased by 40%.

**Ecolabelled stores**

Willys offers "Sweden's cheapest bag of organic groceries". But the chain also wants to ensure its customers that the environment is a priority issue even for its physical stores. Willys has cooperated with the Swedish Society for Nature Conservation (SSNC) to earn the "Good environmental choice" ecolabel for all of its stores. The certification is based on the criteria for an organic product selection, avoidance of environmentally hazardous products, and work with energy efficiency and waste sorting.

**Quality assurance of private label products**

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

For 2015 a new requirement has been adopted for certification of subcontractors in the processing stage. This requirement applies for all suppliers that handle and produce products with meat ingredients. The requirement aims to quality-assure the handling of meat in the processing stage.

**Ethical exclusions and control programmes**

Axfood makes exclusions on a regular basis out of concern for the environment, people and animals – such as seafood assigned a red light by WWF, foie gras and "gourmet" veal. Moreover, in the Group's wholly owned stores, Axfood has chosen to refrain from selling products that are contrary to the Company's values, including magazines with a pornographic content and cider and "alcopop" beverages with an alcohol content higher than 2.25%. Nor are concentrated energy drinks ("shots") sold in Axfood's stores. To ensure adherence to minimum age limits for purchases of alcohol, tobacco and OTC medicines – whether they are legal limits or the Group's own voluntary limits – Axfood conducts training and has routines for checking ages. Monitoring is conducted in stores through the Group's internal control programme.

In cooperation with the trade organization Svensk Dagligvaruhandel and others, Axfood has helped draw up the industry-wide "Safe food in your store" guidelines, which have been approved by the Swedish National Food Agency. The guidelines' recommendations are applied in Axfood stores and serve as a template 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 to preserve the integrity of the cold chain.

**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.

## Indian tea plantations doing good for people and the environment

Axfood has visited Indian tea plantations certified by the Rainforest Alliance. The certification vouches not only for environmental issues, but also for development towards more sustainable farming in several dimensions.

The Indian tea plantations visited by Axfood bear witness to requirements for limited use of chemicals, efficient use of water, a safer work environment, adoption of methods for greater productivity, climate-smart growing and decent wages. These measures together contribute to better conditions both for people and the environment.



## Food from the world at Axfood

Customers are showing a growing interest not only in organic foods, but also in vegetarian products and products with cultural roots. As Sweden's population grows increasingly diverse and people travel more, consumers have higher expectations for a more international and varied product offering at stores.

For its part, Axfood has taken note of changes in demand during Ramadan, the Muslim month of fasting. And just like Christmas and other holidays, Axfood markets different foods that traditionally go hand in hand with this festival – such as dates, pâtés and lamb.

To ensure a wide and varied product offering, in autumn 2014 Axfood made an appeal to its customers and employees – “Help us be best in the world at food!”. The goal is to expand the global assortment offered at both Willys and Hemköp and to find new products and brands that are currently unavailable on store shelves.

## Priorities 2015

Continued focus on source labelling of private label products.

Increase the offering of organic and vegetarian products.

Continue work on setting standards for animal welfare certification.

### QUALITY ASSURANCE OF PRIVATE LABEL PRODUCTS

	2014	2013	2012
Product recalls from stores, private label products, number	24	31	22
Product recalls from stores, other, number	58	68	30
Share of private label product suppliers approved according to GFSI, %	99	99	98

### KEY DATA PER STORE CHAIN

	Hemköp			Willys			Willys Hemma		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Number of organic products	1,212	907	1,008	712	605	524	843	366	340
Sales as % of total food sales	5.97	4.55	4.20	3.53	2.49	2.26	4.53	3.15	2.91
Number of Fairtrade Certified products	114	90	72	67	50	42	91	32	31
Sales as % of total food sales	0.89	0.27	0.23	0.53	0.13	0.12	0.80	0.16	0.16
Number of hypoallergenic products	995	576	555	795	434	420	1,007	310	276

# Focus on responsible suppliers

Axfood aspires to be a partner in its suppliers' sustainability work and upholds generally accepted business practices and high ethical standards in its relationships. During the year, the Group's purchasing work was further systematized in an effort to be able to set more qualified standards and ensure a product offering that meets customers' expectations. Axfood's membership in the Business Social Compliance Initiative (BSCI), together with a strengthened purchasing organization, is contributing to development of work with corporate social responsibility.

## Code of Conduct – updated values foundation

Axfood's Code of Conduct applies for all operations and lays out a set of requirements for all suppliers. The Code clarifies Axfood's undertaking and expectations in internal and external relationships, 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 Code of Conduct. They are also required to ensure that their subcontractors in turn adhere to the Code.

In connection with its membership in BSCI, in which a network of companies are collaborating to improve working conditions in the global value chain, Axfood revised its Code of Conduct in 2014. One of the most important adjustments made to harmonize the Code with BSCI's code of conduct was

the inclusion of the so-called Ruggie Principles<sup>1)</sup> on business and human rights, which require that businesses actively inform themselves and minimize risks.

The updated Code of Conduct will be integrated in the supplier requirements for current as well as prospective suppliers.

## Stricter purchasing requirements for risk categories

As part of its efforts to prioritize work with suppliers, during the year Axfood drew up new routines for its purchasing process. By analyzing the risks for deviations from the Code of Conduct, priority is given to categories with the highest risks. Buyers as well as quality assurance staff receive training in environmental and social risks pertaining to suppliers, and training activities are continuing in 2015. The higher the risks are judged to be regarding the environment, communities and social impact, the more detailed the

requirements are that Axfood puts on the supplier. Risk is also to be weighed more heavily into purchasing decisions.

This way of working will be implemented in the purchasing organization starting in January 2015. Examples of risk categories include preserved fruit, frozen berries, juice, and non-food products.

While Axfood bases its risk assessment work primarily on BSCI's country risk list, risks also exist in Europe. In total, Axfood is estimated to have some 100 suppliers in risk countries across some 40 product categories from some 30 risk countries. In 2015 Axfood will begin to adopt stricter routines for ten or so tender processes for new product launches and for selected, current suppliers.

## Social audits and inspections

Through its membership in BSCI, Axfood will start reporting its social audits in the organization's shared database and will thereby also have access to other audits. Today Axfood already performs social audits to examine how well its suppliers adhere to the Group's Code of Conduct and requirements and conditions in their respective countries. Together with local auditors, Axfood performs social audits of selected suppliers. The protocol for the audits is based on SA8000, an international social certification standard for working conditions and human rights.

A total of 14 (23) social audits were performed in 2014. Axfood consciously performed fewer social audits during year, as the priority was shifted to the implementation of new routines based on risk analyses and new methods. The audits are followed up by a review of cases in which deviations have been noted, where Axfood engages the supplier in a dialogue in an effort to bring about improvements. If no improvements are made, Axfood may terminate the coop-

<sup>1)</sup> These are the Guiding Principles on Business and Human Rights adopted by the UN Human Rights Council, which stand for "Protect, Respect and Remedy". They were authored under the direction of Professor John Ruggie and are used as guidance in efforts to protect and manage risks for adverse impacts of business activities on human rights.



eration. The purchasing office that Axfood established in Shanghai in 2009 plays a key role in this work, as it has extensive experience from performing social audits based on a confirmation of the actual conditions at the supplier. In China, on-site assessments are always conducted prior to entering into a business relationship.

**Beyond requirements and controls**

Based on the debate about social responsibility and an evaluation of own experiences, Axfood has determined that requirements and controls are not sufficient for making improvements to poor social conditions in the production of products. Axfood is instead now focusing more on dialogue and training. During 2014, Axfood's Head of Sustainability in the Assortment & Purchasing department paid ten visits to suppliers and held in-depth talks regarding how they can best improve the conditions for their employees and ensure that their subcontractors do the same.

Starting in 2015 Axfood will be working together with the company QuizRR on training a number of suppliers in China on labour law and work environment issues at all levels. Over time, Axfood will be able to choose suppliers whose employees and management have demonstrated an understanding of workers' rights.

Together with Martin & Servera and Axfoundation, Axfood has initiated work to address deviations in the application of labour laws and work environment rules for foreign guest workers at Swedish fruit and vegetable growers. Axfood is working contin-

uously to make demands and monitor working conditions for foreign guest workers working in fruit and vegetable fields.

During the year, Axfood took measures to ensure that its suppliers and employees completed both BSCI's and other CSR training. In 2014, 11 suppliers in China, Thailand, Morocco and Spain attended various training courses in social standards. Axfood's own employees have completed ten training courses on environmental and social responsibility arranged by BSCI or other organizations.

In 2014 Axfood participated in a system work group that has produced a manual and audit protocol for BSCI's new code of conduct. In addition, Axfood was an active participant in the Swedish BSCI group's meetings during the year.

**Joint efforts**

Apart from its collaboration within BSCI, for a number of years Axfood has participated in the United Nordic purchasing network, with a focus on dried goods. The network is made up of representatives from Norway, Finland, Denmark and Sweden, which together can obtain larger purchasing volumes than they would as individual actors. This gives them an opportunity to influence pricing and make demands. During the past year, concerted activities surrounding CSR and sustainability gained momentum.

Axfood is also looking into opportunities for greater cooperation with local civic organizations that are in close proximity to suppliers' operations and have good knowledge about specific challenges and prevailing conditions.



**Work with local organizations in Morocco**

During the winter of 2014 Axfood started a dialogue in Morocco with the local Oxfam organization, which advocates for the rights of seasonal women workers. Through the organization Axfood had the opportunity to meet workers and learn about their housing and working conditions, which led to the discovery that many women had to contend with sexual harassment from male foremen.

As a result of Axfood's collaboration with Oxfam and Axfood's observations, the supplier initiated a dialogue with Oxfam on site. A clear plan of action has also been drawn up to address the work environment challenges.

At BSCI's annual conference in Brussels, Axfood and Oxfam together presented their collaboration model as an opportunity for greater learning about local conditions.



**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. Starting in 2015, most social audits will be performed via BSCI.

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. Examples of measures can include a demand that social security contributions be paid, that working hours be shortened, or that improvements be made to the work environment.

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

# The challenges in working conditions are global

Companies commonly focus on problems in social conditions in other parts of the world. But problems with working conditions can exist even in our own backyard.

During the berry harvest season in 2014 Axfood paid a visit to berry pickers in Junsele, in northern Sweden, to gain a better understanding of the demands that can be put on buyers of berries from independent pickers and ensure that human rights are respected. Among other things, berry buyers are to have routines for verifying that pickers are free to sell the berries where they want and that there is no intermediary. In recent years the conditions have improved for berry pickers who are brought in as organized labour from Thailand, as a result of efforts by the Kommunal union to ensure that they are covered by collective agreements. In order for Axfood to be able to buy berries picked by independent workers, we must ensure that European workers, who have been ill-treated on frequent occasions in the past, are treated fairly by berry buyers.



## Priorities 2015

Update the Code of Conduct to align it with BSCI's code and disseminate it among suppliers.

Use BSCI's database for greater coverage of social audits.

Conduct risk assessments and monitoring of risk categories, and improve routines for selecting suppliers.

Conduct training among suppliers and the purchasing organization, such as in Axfood's Code of Conduct.

# Commitment and development at work

At Axfood we believe that our company should reflect the diversity of our customers and offer all employees equal opportunities. Focus during the year was on diversity work, competence development, internal career paths and on creating job opportunities for young people.

## Diversity important for business

Based on the conviction that greater diversity is a key success factor for Axfood, intensive work was begun towards this goal in 2013, when the Board of Directors adopted a challenging diversity target – that 20% of managers in Axfood should have an international background by 2020. Today 18% of Axfood's employees come from an international background, but in management positions the average is lower. During the year, Axfood participated in Axel Johnson's Axelerate initiative, in which employees have identified numerous activities to promote diversity. In addition to formulating challenging and quantifiable targets, Axfood's management decided to focus on the following:

- Objective succession planning – in order for every manager to be able to appoint his or her potential successor, all managers are to adhere to and receive training in objective recruitment methods and norm-critical thinking
- Culture – internal dialogue on diversity and inclusion, diversity training for trainees, and a diversity council

- Communication – a clear communication plan and collaborations that support diversity work

Equal opportunity is a part of diversity work. Axfood's long-term goal is to achieve an even gender balance in management positions. This entails a representation by both men and women within a range of 40%–60%. Today the Group meets this goal at the mid-management level, while in other management positions there is still development potential. In 2014 the share of women in management positions at Axfood was 26% (25%), and the share of women store managers was 29% (26%). The Group's management training programmes have an even gender balance, and in the 2014 store manager trainee programme, the majority of candidates were women for the first time. The programme aims to ensure access to competent and committed future store managers.

## Values-based leadership

Axfood has a Group-wide leader profile that clarifies which type of leadership is sought

after. Axfood works with various methods for evaluating and monitoring leadership and employee attributes that will ensure a system and structure for leadership succession and identify potential leadership talents.

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

## Grow with Axfood

Human resource work aims to give more employees opportunities to grow with Axfood. By more clearly linking competency requirements and training to various roles, opportunities for development within the Group are made more accessible for employees. Annual performance dialogues are part of this work.

For the second year in a row, Axfood received an award as Competence Company of the Year for 2013 as recognition of its strategic focus on competence development focusing on the needs of both the individual and operations. The Axfood Academy has played a key role in this work. In addition, for the second year in a row, Axfood was named as "Career company of the year" by the business weekly *Dagens Industri*.



During the year Axfood decided to launch Ung i Axfood (“Young at Axfood”), a youth trainee programme focusing on retailing for new secondary school graduates. The programme is planned for spring 2015 and aims to attract talented young people to the trade while also addressing the problem of growing youth unemployment.

**Axfood Academy**

Axfood Academy is the Group’s centre for training and trainee programmes. Digital training platforms make it possible to cost-effectively provide competence development to all employees – at a time and location that suits them. An e-learning course is completed every 15 minutes at Axfood. In 2015, in addition to instructor-led courses, Axfood Academy will focus even more on digital courses in an effort to reach more participants.

In 2014, 7,532 employees participated in a combined total of 4,500 training days. In addition, 1,200 employees completed the Group-wide environmental training course during the year.

A total of 36,000 e-learning courses were completed during the year, among other things to raise the basic level of competency at stores. Axfood has a broad array of e-learning courses that cover such areas as the environment and sustainability, age verification, safety and security, food hygiene and OTC medicines.

**Strategic health work**

Activities under the Group’s health strategy, Omtag hälsa (“Health reboot”), continued during the year. A new Group-wide rehabilitation process has created greater

opportunities to quickly be able to employ effective rehabilitation measures, lower sickness-related absenteeism and promote a faster return to work after an illness or injury. Parallel with this, measures are being employed to discover signs of ill-health at an early stage.

Axfood’s company health services have a clear focus on preventive care, and wellness activities are encouraged, such as through a fitness subsidy from Axfood.

Omtag hälsa has also implemented 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 disruptions.

**Satisfied employees – attractive workplace**

Axfood’s core values provide guidance for all employees. Axfood aims to instil involvement and initiative with the help of managers who clearly communicate and delegate. Proud and committed employees are an asset in the work towards Axfood’s overarching goals.

Axfood’s employee survey from 2014 shows a high score for employee satisfaction – 91 compared with the industry benchmark of 82. A new KPI for the year pertains to the share of proud employees and ambassadors, which shows a percentage that is three times higher than the benchmark. The survey indicates that 86% of our employees are proud about Axfood’s diversity work. In all, 92% of employees participated in the year’s survey.

# Equalisters and Axfood challenge business community



In 2014 Axfood became the main sponsor for Equalisters (Rättviseförmedlingen), and together we are challenging the business community to work together for better diversity in Swedish business.

Under the partnership, Axfood will advertise new job positions in Equalisters’ channels and carry out joint activities to inspire other companies to take a more goal-oriented approach to diversity.

Since 2010 Equalisters has advocated for workplace equality. The organization is a non-profit movement comprising more than 60,000 people working together to help projects and organizations find norm-breaking competence.

AXFOOD’S EMPLOYEE STRATEGY
Develop business skills and a customer-centric organization.
Strengthen values-steered leadership and active employeeship.
Attract, recruit, retain and develop employees.
Strengthen a distinct Axfood culture.
Adopt user-friendly, cost-effective and secure HR processes.

## Instagram – new career window

Every week a new employee takes responsibility for Axfood’s official Instagram account. Through this social media channel, employees share pictures from their daily work in stores, warehouses or offices. The initiative has made a big impact among the Group’s employees, giving them greater insight into other companies in the Group and opening a window

to career paths both within the respective companies and the Group as a whole.

Axfood’s Instagram account has also attracted many external followers. Axfood hopes that prospective future employees will be attracted by the firsthand images of what it entails to work with the Group’s operations.



## What makes you proud to work at Axfood?



*“I am proud to work at Axfood Snabbgross because of the great company culture in the Axfood Group, where the distance is short from idea, to decision and execution, and where the company believes and invests in its employees – which leads to profitable growth on the bottom line.”*

**Anna Åkesson, Marketing and Business Development Manager, Axfood Snabbgross**



*“Axfood is a well organized and solid Group with great concepts. This makes me proud to go to work everyday.”*

**Peter Luppe Lundin, Head of Dairy, Willys Västerås**



*“It makes me proud to work for a company that actively works with the employees’ work environment and development. Nothing makes me happier than to see my colleagues develop and enjoy their work, and as a result we have happier customers. I feel at home at Axfood!”*

**Mirdita Jusufi, Checkout Manager, Hemköp Torsplan**



*“Axfood is a workplace to grow at. We are strong together, and I am proud about our work with diversity and equal opportunity. I am also proud to belong to an organization with a winning mentality that promotes individual development and taps into the potential that exists within the organization.”*

**Therese Bultar, Store Manager, Willys Tumba**



*“It makes me proud to work with motivated and driven colleagues who always strive to do the best business, without cutting back on quality, the environment or working conditions in production. In the end, being able to choose the right products from the right producers for our private label products leads to more satisfied customers.”*

**Johan Birath, Team Leader, Private Label Purchasing, Axfood Sverige AB**

### EMPLOYEE STATISTICS

	2014	2013	2012	2011	2010
Work attendance, retail, %	94.8	94.9	95.1	95.5	95.4
Work attendance, wholesale, %	93.4	93.7	93.9	94.1	93.9
Work attendance, staffs, %	96.4	96.7	98.7	96.9	97.3
Employee turnover rate, %	12.7	8.9	9.1	11.1	11.8
Men/women, %	12.2/13.0	8.0/9.6	8.7/9.4	10.8/11.4	10.8/12.6
Age category –29, %	16.5	12.7	13.0	16.1	16.2
Age category 30–49, %	10.1	6.7	6.7	8.2	8.8
Age category 50–, %	12.9	8.7	8.9	10.6	12.3
Average service time, years	10.3	9.8	10.5	9.8	9.1
Number of full-time employees	4,422	4,386	4,367	4,318	4,332
Number of part-time employees	4,139	4,016	3,758	3,484	3,486
Average number of employees <sup>1)</sup>	8,481	8,285	8,021	7,062	6,895
Number of men	3,913	3,837	3,341	3,268	3,214
Number of women	4,568	4,448	3,913	3,794	3,681
Number of training days	4,506	4,300	5,000	4,000	3,900

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

### Priorities 2015

Digitization with the help of a new HR system.

Implementation of the Ung i Axfood youth trainee programme focusing on retailing for new secondary school graduates.

Continue work on strengthening Axfood’s reputation as an attractive employer.

# Partnerships and dialogue on important responsibility issues

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

## Greater collaboration surrounding suppliers

Through its membership in the Business Social Compliance Initiative (BSCI), Axfood will be stepping up its work for improved conditions among suppliers. The initiative entails sharing knowledge and experiences as well as results from social audits, and stronger auditing capacity.

In addition, the long-standing purchasing collaboration within United Nordic continues to evolve with a focus on adopting joint sustainability requirements among suppliers.

## Diversity in European cooperation

Axfood was one of the initiative-takers behind Diversity Charter in Sweden, part of a European business network with thousands of members who are seeking to strengthen their work by sharing knowledge and experiences about diversity. All members of the Diversity Charter have signed a contract pledging to work actively with diversity based on a set of common goals. Axfood's Head of Human Resources is currently chair of the Swedish network.

## Company networks

Axfood is also one of the founders of the Haga Initiative, a climate-focused network that aims to reduce carbon emissions, highlight the climate issue and provide a model for work on combating climate change. During the year its members published a number of articles and op-ed pieces on



climate issues in Swedish newspapers. All members in the network have pledged to reduce their carbon emissions by at least 40% by 2020.

The Network for Sustainable Business (formerly the Swedish Association of Environmental Managers) and CSR Sweden are another two company networks focusing on sustainable and responsible business in which Axfood participates.

## Trade organization monitoring 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 regulations 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.

**Non-profit organizations**

In the area of sustainability, Axfood takes a more long-term approach in its partnerships with a number of non-profit organizations. For example, Willys is a main partner to Save the Children Sweden and also works together with the Swedish Society for Nature Conservation. Hemköp works together with SOS Children's Villages, among others.

Axfood is an active participant in UNICEF's Corporate Network for Children's Rights, which focuses on dialogue and the sharing of experience surrounding how business principles concerning children's rights can be applied and implemented.

In autumn 2014 Axfood signed a cooperation agreement on sustainable fishing with the World Wildlife Fund (WWF). Together

with companies and organizations, Axfood participates in the Roundtable on Sustainable Palm Oil and the Round Table on Responsible Soy Association, both of which are dedicated to protecting the world's rain forests and advocating for sustainable production of palm oil and soybeans. The focus is currently on establishing an effective system for trading in certified palm oil and soybeans.

**Stakeholder dialogue**

Axfood maintains regular contact with a number of stakeholder organizations on sustainability issues, 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, focus has been on the use of chemicals. Palm oil is another important focus area in discussions with SSNC, WWF and Greenpeace. Sustainable fishing is also a recurring issue in Axfood's dialogue with environmental organizations. Fair Trade Center focuses on social conditions in production and among suppliers. Swedish consumers are voicing growing concern about issues related to animal welfare and product labelling. Animal Rights Sweden was a main driver of the issue of eggs from free range hens.



**Almedalen – an arena for influencing**

Axfood believes it is important to take a stance on issues that affect society and our business. We do this both through our daily contact with customers and other stakeholders and by engaging ourselves together with other actors in society. One important arena for debate, dialogue and advocacy is the annual "politicians' week" conference in Almedalen. At the 2014 Almedal conference, Axfood's Head of Environment and Social Responsibility and Head of HR participated and provided input in the debate on sustainable food ingredients, climate benefit, consumer power, sustainable fishing, antibiotics in food, food waste, smart packaging and management in retailing, including leadership for the future.





# GRI table

For the seventh 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 verification. Axfood is a participant in the Global Compact and adheres to its sustainability principles.

The calculation methods for CO<sub>2</sub> 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. Certain emission factors were changed between 2012 and 2013, as previously communicated.

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 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).

■ Fully reported  
 ■ Partly reported  
 ■ Not reported

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<b>Profile</b>		
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1.2 Description of key impacts, risks and opportunities	6, AR 40–41	■
<b>2. ORGANIZATIONAL PROFILE</b>		
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2.2 Primary brands, products, and services	3, 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	■
2.6 Nature of ownership and legal form	3, AR 90–91	■
2.7 Markets	3, AR flap	■
2.8 Scale of the organization	3, AR flap	■
2.9 Significant changes during the reporting period	AR 2–3	■
2.10 Awards received during the reporting period	AR 18	■
<b>3. REPORT PARAMETERS</b>		
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3.2 Date of most recent previous report	24	■
3.3 Reporting cycle Administration report	24	■
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3.9 Data measurement techniques and calculation principles	24, AR 65–66	■
3.10 Explanation of the effect of any restatements of information provided in earlier reports	24	■
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	24, AR 65–66	■
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3.12 Table identifying the location of the Standard Disclosures in the report	24–25	■
3.13 Policy and current practice with regard to seeking external assurance for the report	24	■

Axfood	Page reference	Degree
<b>4. GOVERNANCE, COMMITMENTS &amp; ENGAGEMENT</b>		
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4.2 The Chairman of the Board's role in the organization	AR 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 73–75	■
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 44	■
4.10 Processes for evaluating the board's work	AR 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, 11–14, 15–16, 19	■
4.13 Memberships in associations	21–22	■
<b>Stakeholder engagement</b>		
4.14 List of stakeholder groups	6, 21–22	■
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4.17 Key topics and concerns that have been raised through stakeholder engagement	21–22	■
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EC3. Coverage of the organization's defined benefit plan obligations	5–6, 10–11	■
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EN3.	11	■ ■ ■
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EN5.	8-11	■ ■ ■
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EN8.		■ ■ ■
EN11.		■ ■ ■
EN12.		■ ■ ■
EN16.	8-11 <sup>1)</sup>	■ ■ ■
EN17.	8-11	■ ■ ■
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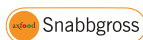
<sup>1)</sup> Pertains to trading operations, not staff functions at head offices.

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