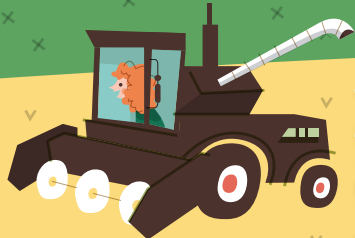
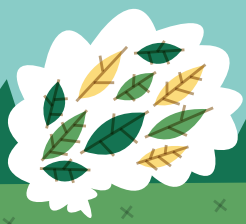


Axfood

Sustainability Report 2016



Near halving of CO₂ emissions from own transports



HANLARN



Swedish experts discuss climate impact, animal welfare and veggie trend

Resumed investments in solar panels



MATKASSEN
2030

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About this report

Axfood AB (publ) publishes an annual sustainability report that describes its work toward being a leader in sustainable development, where environmental and social issues are integrated in operations. This report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, Core option, and also constitutes Axfood's Communication on Progress to the UN Global Compact.

All data pertain to Group-owned retail and wholesale operations during the 2016 calendar year, unless indicated otherwise. For further information on the Sustainability Report and reporting principles, see page 46.

This report is an English translation of the Swedish original. In the event of any discrepancies, the Swedish version shall govern.

Axfood at a glance

Axfood works with passion for food and people. Our strength is developing and driving successful food concepts in the Swedish market. Through commitment and responsibility for the environment and sustainable development, we create profitable growth.

The Axfood Group includes the Willys and Hemköp grocery store chains. Hemköp also includes retailer-owned stores, and Axfood Närlivs collaborates with the Tempo, Handlar'n and Direkten formats. In addition, Axfood Närlivs serves convenience retailers. B2B sales are conducted through the Axfood Snabbgross cash and carry chain. Dagab is responsible for the Group's assortment development, purchasing and logistics.

1,083

Axfood collaborates with 1,083 stores, of which 263 are Group-owned.

#2

Axfood is number two in the Swedish food retail market, with a market share of approximately 21%.

50.1%

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



Åsa Domeij,
Head of Sustainability,
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*“Three challenging issues for the food retail industry are **climate impact, green proteins of the future, and animal welfare.** To take a closer look at these issues Axfood has invited experts to share their insights in these areas.*

Stefan Nyström,
Head of Climate Department at the Swedish Environmental Protection Agency, comments on the climate issue.

*Animal welfare is discussed by **Bo Algers,** who is a driver of reforms in the area of animal welfare and the use of antibiotics.*

Anna-Kajsa Lindell and Anders Wallerman, from of the company Food for Progress, describe new innovations in vegetarian food.”

Net sales

Operating profit

Willy:s

Willys is Sweden's leading discount grocery chain, offering a wide assortment and 196 stores. Willys aspires to develop the discount grocery segment by offering Sweden's cheapest bag of groceries as well as the cheapest bag of organic groceries, both in physical stores and online.



23,164 SEK m



922 SEK m

Hemköp

Hemköp offers a wide product assortment that gives customers value for money and a rich selection of fresh products. With 67 Group-owned stores and 118 retailer-owned stores, Hemköp aims to inspire passion for food and make it easy for customers to find good meal solutions.



6,171 SEK m
(excl. franchise stores)



260 SEK m

Närlivs

Axfood Närlivs is a leading B2B wholesaler in Sweden. The company serves customers with varying needs in three distinct segments: Handlar'n & Tempo, Convenience, and the wholly owned Axfood Snabbgross cash and carry chain, with 22 stores.



2,880 SEK m
External
2,884 SEK m
Total



202 SEK m

dagab

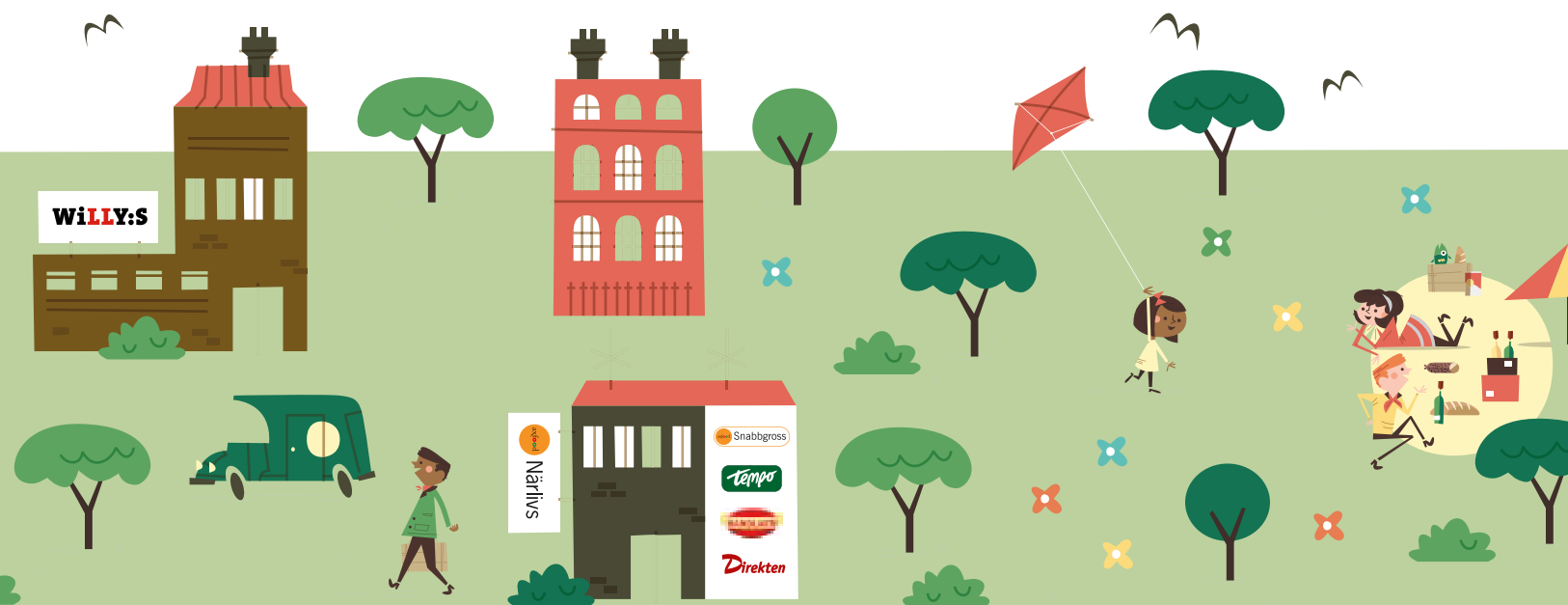
Dagab is the support company for the Group's purchasing and logistics operations, Dagab is responsible for an efficient product flow, from assortment development and purchasing to warehousing and distribution. Warehousing is conducted at seven distribution centres.



11,092 SEK m
External
42,319 SEK m
Total



670 SEK m



“We dare, we want to, and we can”

What was Axfood’s most important accomplishment in 2016? What challenges await? And what do departing CEO Anders Strålman (AS) and Head of Sustainability Åsa Domeij (ÅD) feel the proudest about after nearly a decade of close cooperation on sustainability issues?

“Axfood’s distinctive sustainability image is a competitive advantage!”

The most important event in 2016 was without a doubt publication of the Matkassen 2030 report – Axfood’s contribution to a more sustainable food strategy for Sweden.

AS: In summer 2016 we laid out our strategy for more sustainable trade in Sweden and for a sustainable society by 2030, and in doing so we challenged the politicians. This put pressure on the political parties to come to an agreement on a food strategy for Sweden. And they listened, for in the cross-bloc agreement that was then reached in January 2017, Axfood received validation for its assertion that Swedish value-added is important for competitiveness.

What can you say about the Matkassen 2030 report?

AS: Matkassen 2030 lays out our ambitions for the concrete steps we must take to live up to the expectations our customers and society have for us. We dare to be a driver of this issue and to help others that do not have any goal for a sustainable future.

ÅD: And not just goals, but also concrete actions. We have put a spotlight on what the business sector and politicians should be working on. We dare to voice our opinion on important societal issues by widening our focus from the specific issues we deal with to what we feel the politicians should also be doing. The Matkassen 2030 report has given us the means to influence the debate in an entirely different way than previously. We’ve stuck our neck out, quite simply.

Has Axfood’s role as a societal actor changed during the nearly ten years you have worked together?

AS: Yes, absolutely. Åsa joined us at Axfood in 2008, but as the Company has improved and gained more and more talented people, Åsa is no longer our sole voice for these issues. I would assert that Axfood is today the best of all of Sweden’s food retailers when it comes to being engaged in the societal debate. And that’s because we dare, we want to, and we can.

What more happened in 2016 that shows Axfood’s societal involvement?

ÅD: After Matkassen 2030, the solar energy tax stands strongest in my memory – or the “idiot tax”, as I called it – which was introduced on 1 July for production of solar energy for own use. Here we actually got the government to reconsider.

Then there’s the matter of reducing the use of antibiotics in animal husbandry – an issue that we continue to advocate strongly for. We even visited the European Parliament to help raise this issue.

AS: What we want, and need, is for the politicians to take a long-term perspective and to make decisions that steer development toward a more sustainable society. Here in Sweden we have also talked with various government agencies in order to make them aware of issues that affect our industry.



ÅD: Finally, we mustn't forget the "From Sweden" product marking, for which we were one of the initiative-takers. As a result of the clarity that this has provided, more and more consumers are buying dairy products made in Sweden, which is good. We will always be transparent and help consumers by clearly indicating where products come from.

Willys and Hemköp launched e-commerce in 2016. How sustainable is e-commerce, actually?

AS: We have great potential to improve our climate impact through e-commerce, but the challenge is in logistics. Home deliveries must be coordinated, just like we have done with deliveries to our stores. There should only be one delivery vehicle per area, not for every actor. Not until this happens will we achieve a lower environmental impact.

What are your views of 2017? What are the greatest challenges?

ÅD: Many of the issues that were on the table in 2016 will remain in 2017. Among other things we will continue to promote our concrete suggestions for Sweden's new food strategy.

AS: One issue that needs to be looked at is material recycling. The plastics recycling system we have today does not work well and must be made better.

ÅD: On the products side, we need to continue securing the supply chain. For example, we are working further to improve animal welfare. It's a matter of achieving better oversight of imported meat and finding suitable certifications.

And the greatest challenge?

ÅD: Refrigerants in stores. These are without a doubt our greatest climate challenge and are the single-largest source of environmental impact in the Group. More and more products in the assortment require refrigeration, and we are gradually replacing refrigerator and freezer units in the stores with CO₂-neutral systems, but this takes time.

At the AGM in March Anders Strålmán will step down as President and CEO of Axfood and be succeeded by Klas Balkow. In other words, it's time to do a "book-closing" on Anders and Åsa's close cooperation on sustainability issues. What are you most proud of?

ÅD: It would still have to be our ongoing Matkassen 2030 initiative. It is grand and overarching – and it is important that we dare to be



a driver of these issues! In terms of our assortment I'd say the decision to stop selling red-listed fish was important for me. It was hard – suddenly there was a lot we had to stop selling. And then, of course, our decision to begin charging deposits on fruit juice bottles. This was a small first step that had a ripple effect once all of the other major producers followed suit. Hopefully the deposit system will be able to include even more products in the future.

AS: When Åsa joined us and enlightened many of us in the Executive Management, she was also surprised that those of us who were a little older still had a lot of knowledge about agriculture and production. We have always had deep and engaging discussions over the years. And in the end we always reached a consensus.

Even though I am now handing over the reins for Axfood's operations, I am convinced that sustainability will continue to be an important part of Axfood's strategy. Axfood's distinctive sustainability image today is a competitive advantage!

“What we want, and need, is for the politicians to take a long-term perspective and to make decisions that steer development toward a more sustainable society.”

Matkassen report – the key to sustainable development

The business sector, politicians, authorities and customers must work together for sustainable development in the food retail industry. For us at Axfood, the key to success lies in the groceries that the nearly three million customers buy every week at our stores.



Grocery shoppers today are looking for sustainability. We want to share this insight with producers and decision-makers in Sweden. Toward this end, in 2016 we published a report, Matkassen 2030, as our contribution toward a sustainable food strategy for Sweden. This is also in line with Axfood's ambition to be a positive force for change in society.

The Matkassen 2030 report presents five areas that Axfood believes are especially important for a sustainable food strategy for Sweden.

Encourage sustainable consumption

Consumers want to make sustainable choices. This can be seen in the growing demand for organic and vegetarian foods as well as in the keen interest in labels such as Fairtrade and Rainforest Alliance. At the same time, there are many challenges. A third of all food produced in the world ends up wasted, consumption of meat is high, diet-related health problems are common, and much of what we eat has a substantial climate impact.

Axfood believes that everyone in Sweden has the right to wholesome, good, attractively priced and sustainable food. The food industry can make a contribution by guiding consumers toward sustainable choices, creating attractive offers that give value for money, providing clear and engaging information in stores and on packaging, and inspiring consumers to make better environmental choices, lower their meat consumption, choose healthier alternatives and reduce food waste.

Working to raise the status of frozen food is also a central issue, since frozen vegetables have a high nutritional value, they do not require transport by air, and they result in less waste than fresh vegetables. Axfood is already taking action to reduce food waste (see page 22). But individual efforts are not enough. We think that Sweden should have a national goal to cut

food waste in half and that individual consumers need to be better at deciding if food is fit for consumption or not.

Promote Swedish value-added and innovation

Swedish farmers are pioneers in adopting environmental practices and safeguarding animal welfare. In addition, Swedish consumers generally prefer foods sourced in Sweden. But value-added such as low use of antibiotics, grazing requirements for cows, and high standards of food safety need to be made even clearer for customers and be marketed as competitive advantages – not least in order to help boost exports of Swedish foods.

Highlighting Swedish value-added, refining and processing primary ingredients, and investing in innovation and development are some of the most important things we can do to promote Swedish competitiveness in the food industry. There is enormous potential in refined products that can generate increased export revenue and more jobs. Opportunities for more highly developed water conservation methods should also be explored.

Examples of initiatives that are needed include continuously informing consumers about what Swedish value-added entails, supporting product innovations, developing business models that make Swedish value-added pay off, developing sustainability concepts, supporting research and exports, and promoting the sustainable use of water.

View the countryside as a resource

A flourishing and growing countryside is a prerequisite for Sweden's development and growth. Despite this, one out of four stores in rural communities has had to shut its doors during the last ten years. When stores disappear, other services also tend to disappear.





Axfood believes that investments are needed to develop community services, infrastructure, broadband and public transport in rural areas. It should also be possible to develop food stores in rural communities to serve as a central meeting point in the town, with a range of services that go beyond what is typically associated with a grocery store. Effective supply of food retail products to countryside stores is essential. In this respect Axfood has a key role to play. We have a 50% share of the food retail market in rural areas, compared with just over 21% nationwide. Handlar'n and Tempo stores are our most common format.

Axfood believes that the rural development subsidies that were introduced in 2016 should continue for at least ten more years. They are crucial for the survival of many of our grocers in rural areas in the years immediately ahead; they have even enabled a number of stores to be re-inaugurated during the year.

It is also important to promote initiatives that attract tourists to the countryside and to prevent small parcels of farmland from being developed for other purposes.

A fossil-free Sweden and green proteins

Climate change is one of the greatest challenges of our time, and “cattle and cars” are two of the biggest problems. We must eat less meat and find climate-smarter ways to transport ourselves.

Axfood wants to see a Sweden with lower meat consumption and food production that is not dependent on fossil fuels. To reach this goal, tractors and product transports must be able to operate on fossil-free fuels. Consumption of meat must be reduced by increasing the offering of affordable food based on green proteins.

More stores within a walking or biking distance from homes must also be established, and fertilizers need to be produced using biomass instead of fossil fuels. Another important measure is to exempt solar energy produced for own use from taxation.

Axfood is making contributions on many levels, including as a participant in the Swedish government's Fossil-free Sweden initiative and in the Haga network, which advocates for profitable business and enterprise without a climate impact.

Sustainable production that improves both organic and conventional farming

The agricultural system we have today cannot support the world's population in a sustainable manner. We need food production that works to the benefit of biodiversity, avoids chemical pesticides, develops innovative, sustainable methods, and does not use antibiotics in healthy animals.

Axfood envisages that organic farming will continue to gain traction and at the same time contribute to technological development that other aspects of agriculture can benefit from. Sales of organic products are expected to continue rising. Organic farming has immense potential both for increased sustainability as well as returns. This higher level of production may also lead to higher demand for labour.

Examples of initiatives that Axfood believes are needed include goals for organic consumption in the public sector, requirements for lower use of antibiotics, transitional subsidies for farmers interested in changing over to organic production, and a reform of the EU's organic regulations with the goal of developing organic agriculture.



Three experts share their insights on challenging issues for the food retail industry: **climate impact, animal welfare and green proteins of the future.**

Let stores show the way to climate-smart food

Choose vegetables, fish and chicken. Eat less red meat. Buy organic products and choose Swedish products over foreign ones. This is Stefan Nyström's advice to someone who wants to eat climate-smart. It may sound simple, but making the right choices among the multitude of options available in grocery stores today is anything but easy.



Stefan Nyström

Fortunately, the food that is best for the climate is also good for your health, so what is preventing us from eating climate-smart? I think that the power of habit is great and that we need help navigating. The offering of food products is immense, and different foods affect the climate in different ways. Is a steak better than a sausage? Are organic tomatoes from Spain better than conventionally grown Swedish ones? What about soy, which has been grown on land that was once rain forest and is transported half way around the world? Should I choose organic chicken from southern Sweden or lamb from the island of Gotland?

I feel that food companies can do a lot to help us make climate-smart choices in grocery stores. They work with food and interact with millions of consumers every week. Who could be better-suited?

Through marketing, information, offers and by influencing suppliers, Axfood and its industry colleagues are in an ideal position to steer our choices in the right direction.

Moreover, I am convinced that when we buy organic milk, it has greater value than that which is directly coupled to the actual product.



Because when we buy organic foods, it also affects other choices we make, and environmental issues become a natural topic of conversation both at work and at home at the breakfast table. Recycling becomes a given, the car becomes an environmental car, we reduce our energy consumption at home – and so on.

I would also like to see climate-certified food in stores, that is, a system of marking foods that helps consumers choose what level of climate impact they are willing to make through their choice of products. The hamburger chain Max is a good example. They show the climate impact of their menu items. The consumer can plainly see that a hamburger has a much higher climate impact than a chicken or fish sandwich, for example.

But is it really profitable to invest in organic, locally produced and preferably vegetarian food instead of relying on imported meat that can be sold for a lower price and probably in larger volumes? Yes, there is no question in my mind. Research clearly shows that it is the observant, curious, innovative and responsible companies that endure in the end and are the most profitable long-term. They are prepared for change – both in the climate and in other areas – and thereby have great opportunities to adapt to new conditions.

Stefan Nyström
Head of Climate Department
Swedish Environmental Protection Agency



Animal health – distinct value-added in Swedish meat

Swedish consumers attach a premium to animal welfare in their choice of foods. For Axfood this issue has long been a high priority. Bo Alger, Professor Emeritus in Animal Hygiene at the Swedish University of Agricultural Sciences in Skara, Sweden, is Sweden's most eminent expert in the field. What is his view of the current situation for Swedish animal welfare?

What's so good about Swedish meat?

"We have a lot to be proud about. Compared with the rest of the EU, we have made great progress. Animal health is a distinct value-added in Swedish meat, and it could be marketed abroad to a much higher degree than what has been done thus far."

In what ways is Sweden ahead of the rest of the EU?

"Swedish producers follow the rules that are in place, in contrast to many producers in other EU countries. Sweden has long had stricter rules for animal health, and the issue has been debated extensively in the media. Swedish consumers also have higher demands, even though other EU citizens are also increasingly showing that they care about animal welfare."

Is awareness increasing, even at the EU level?

"Yes, things are moving in the right direction, but it is going frustratingly slow. The politicians need to act more forcefully."

The extensive use of antibiotics in animals risks contributing to antibiotic resistance in people as well. How can we reduce the use of antibiotics in animal production?

"Poor animal environments lead to stressed animals with poorer immune defence. Animals become sicker and more antibiotics are used. By raising animals in an environment that they are biologically suited for, the need for antibiotics decreases. We are good at this in Sweden. Antibiotic use must also be registered, controlled and limited, which is also standard practice in Sweden today."

Can you name a few other measures that you think are needed for improved animal health?

I hope that the food retail industry will embrace what I call the "ACC" system for meat. A stands for "judicious use of Antibiotics", C stands for "no animals in Cages", and C stands for "no Castration". I have presented this to Axfood and they were positive. The politicians have a great responsibility, but I also think that food inspirers, celebrity chefs and gourmet restaurants need to take a greater responsibility and talk more about the importance of good animal husbandry."



Bo Alger

Fair winds for innovative food

Food should be good – both for ourselves and for the environment. Interest in vegetarian and innovative foods currently has the wind in its sails. Two pioneers in this area are Anders Wallerman and Anna-Kajsa Lidell at the company Food for Progress, which has developed the bean-based product "Beat" and the soy-based product "Oumph!".

Here is what Anders and Anna-Kajsa have to say about what they are trying to achieve with Food for Progress:

"We want to create food that is so good that people will be inspired to share a meal with their friends and talk about it. About how amaz-

ingly good it is – good for the planet, nutritional, easy to prepare and filling. Food that does not put an excess burden on Earth's resources and that will allow the soon 9 billion people on the planet to fill their tummies. We see both Oumph! and Beat as important tools for creating a good life for people."

Axfood is taking part in this development and has a number of innovative foods in its assortment, including the Hej Vego vegetarian series, where Food for Progress is one of the producers. Of course, the Group's stores also offer innovative products from other producers as well.



Anna-Kajsa Lidell

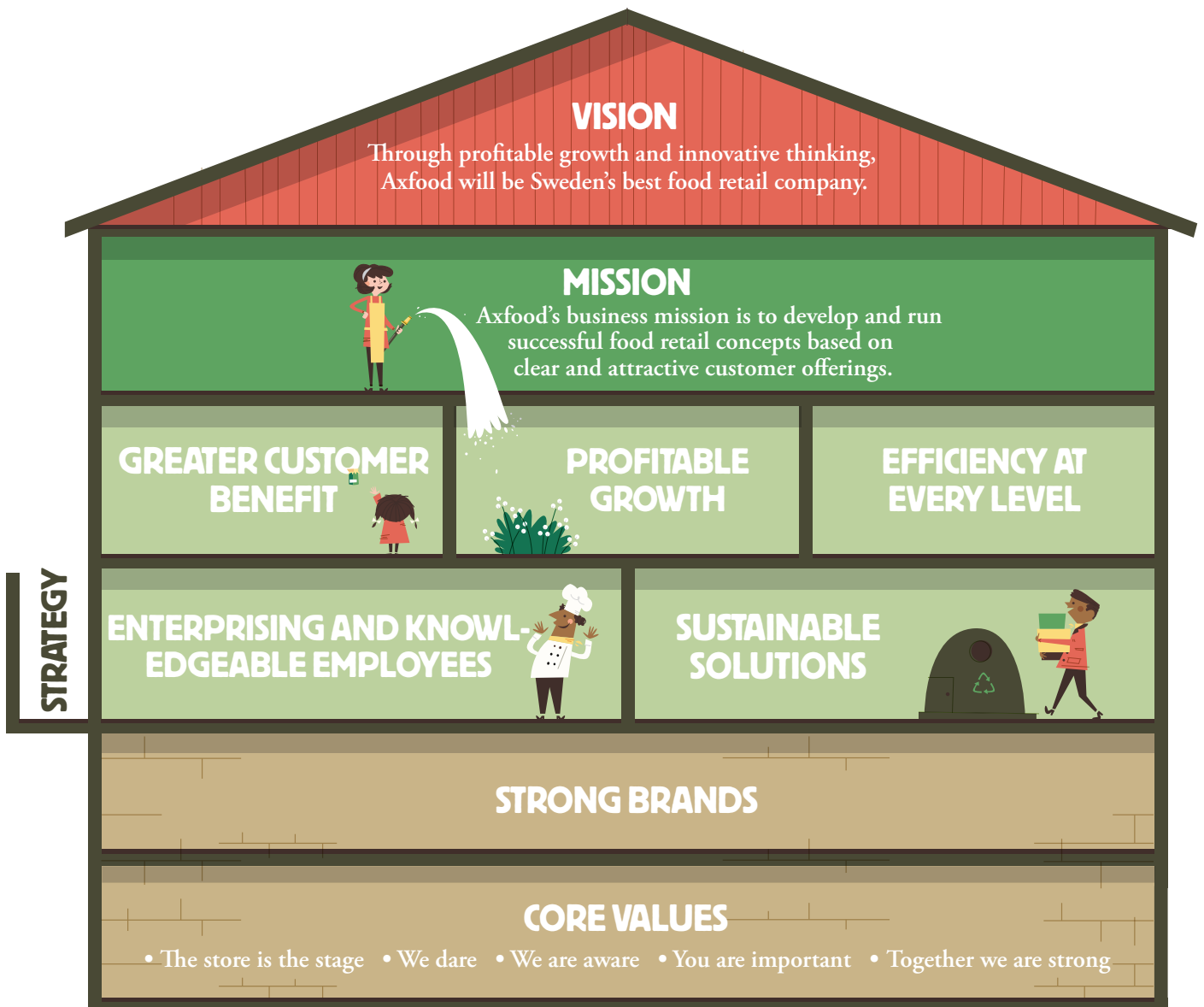
Vision, mission and values

Axfood will be Sweden's best food retail company

Axfood's vision – to be Sweden's best food retail company – will be achieved by developing an attractive and sustainable assortment, maintaining a high level of innovation for enhanced customer benefit, and reaching more consumers, both through strategic locations of its physical stores as well as online. Long-term approach, customer focus and responsibility are the essence of Axfood's strategy for profitable growth.

Axfood's foundation

The house below illustrates Axfood's foundation. At the bottom are the Group's core values, which permeate everything we do. The Group's strong brands are driven by a shared strategy for profitable growth.



Business model

Distinct processes for offering good and sustainable food for everyone

Axfood's business model is built upon three processes. Every small detail in the process is important for the Company's success. Hundreds of steps and decisions are taken along the way, from initial supplier contact to when a product ends up in the customer's basket. At every step, value is created for Axfood and its stakeholders.

Choice of suppliers, price negotiations, and purchasing

Attention to detail begins with the assortment

Axfood's joint-Group assortment and purchasing function allows it to offer good prices and high quality. Suppliers and the assortment are decided on and negotiated centrally for all of Axfood's stores. Each store thereafter can adapt its assortment to local demand.



Logistics

Striving for optimal operations

Efficient logistics create conditions for favourable and profitable growth. Other centrally important areas include efficient use of energy and sustainable transports for reduced climate impact and better economy.



Stores, customers and passion for food

Giving customers freedom of choice and creating an inspiring in-store experience

Key aspects in creating inspiring stores include attentive customer service, an expansive selection of fresh products, smart store layout and a distinct sustainability profile. Customers' needs and preferences steer the product selection. Axfood strives to offer customers a wide assortment of highly innovative products that give them value for their money, not least when it comes to its private label products.



Different types of capital¹⁾

- Natural resources
- Plant
- Relationships
- Knowledge
- Financial capital
- Intellectual capital

Value chain

By using a wealth of resources and capital that are refined in Axfood's operations, value is created for the Group's various stakeholder groups. The descriptions below provide some insight into initiatives that are



Capital	Activities
<p>Product and business development</p> <ul style="list-style-type: none"> ● Continued development of established processes for innovation and product development based on input from customer surveys and insight work. ● Private labels with distinct identities and products that provide value added and offer value for money. ● Effective cooperation with suppliers who are keen on developing the offering. 	<ul style="list-style-type: none"> ○ A smart checkout solution with paperless receipts is offered to stores in the Tempo and Handlar'n formats. ○ Focus on attractively priced sustainable and healthy products. ○ Continuous testing of private label products to ensure quality that is at least as good as well known brands, on top of being healthy and distinctive. ○ Greater commitment to more sustainable packaging. ○ Development of a platform for and launch of e-commerce.
<p>Purchasing</p> <ul style="list-style-type: none"> ● Financial strength to develop the assortment and be an attractive partner to suppliers with ambitions in sustainability and attractively priced products. ● Knowledgeable buyers with high standards for sustainability. ● Clear frameworks and risk mapping for risk assessments of suppliers. ● Joint assortment and purchasing function in the Group and for certain products via Nordic or European purchasing organizations. 	<ul style="list-style-type: none"> ○ At every step of the purchasing process, conscious choices are made based on responsibility, quality and price. ○ Axfood's private label offering is quality-assured through both internal and external controls. ○ Adapt the assortment to the growing number of customers born outside Sweden.
<p>Warehousing</p> <ul style="list-style-type: none"> ● High turnover rate and low level of tied-up capital. ● 1,435 employees at seven warehouses with focus on effective planning, warehousing and logistics. ● Smart warehouses with high energy efficiency and renewable electricity. 	<ul style="list-style-type: none"> ○ Approximately 75% of products go from suppliers to stores via Dagab, which results in good control and economies of scale. ○ Reduce environmental impact by boosting energy efficiency and sorting waste. ○ Work with district heating companies to look into the possibility of being a net seller of surplus heat.
<p>Transports</p> <ul style="list-style-type: none"> ● 138 trucks fuelled with diesel based on renewable ingredients. ● Follow-up system for reducing vehicle emissions and fuel costs. ● Drivers with training in eco-driving. ● Axfood's nationwide organization that enables efficient deliveries to independent stores, especially in the countryside. 	<ul style="list-style-type: none"> ○ During the year Axfood gradually changed over to using HVO fuel. ○ Pilot initiative with external transport firms to measure their carbon footprint for Axfood's deliveries.
<p>Retail/B2B customers</p> <ul style="list-style-type: none"> ● The Axfood Group has a total of 381 stores in 161 municipalities across Sweden. ● Normally SEK 650–750 m is invested yearly in new stores, maintenance and IT. ● Approximately 83% of product orders from stores are made via Autoorder. ● Axfood's stores employ 6,266 people with a passion and drive for customers and food. ● 54% women and 21% of employees with an international background vouch for diversity and innovation. 35% of employees are younger than 26. 	<ul style="list-style-type: none"> ○ Following a halt to investments in solar panel systems due to a newly instituted solar panel tax, Axfood resumed its capex plans for solar panel systems after the government reversed its position on the tax. ○ To accelerate work on reducing food waste during the year, prices were cut on products in stores with short best-by dates, and left-over products were donated to charity organizations.

¹⁾ Axfood has drawn inspiration from the value creation model provided in the integrated reporting (IR) framework, which is based on these six types of capital.

broken down into the three processes in Axfood's business model. The colours of the bullet points before the resources refer to the different types of capital: natural resources, plant, relationships, knowledge, financial capital and intellectual capital.

Results

Product and business development

- During 2016 the private label assortment was expanded with 50 new organic products and more vegetarian products, lactose-free alternatives, and gluten-free products.
- Private label products have a lower price level than their name-brand counterparts.
- Essentially all private label products containing meat, and charcuterie and fish products, have country of origin labelling.

Purchasing

- A total of 54 social audits were carried out in 2016.
- First draft of Axfood's strategy for living wages.
- Launch of IP Sigill Arbetsvillkor, an industry certification for working conditions for which Axfood was an initiative-taker and supported.
- Position statements and responsibility in practice, e.g., active exclusion of alcoholic ice cream from the assortment.
- Complementing of the product assortment with large packs of spices from regions such as northern Africa, the Middle East and Afghanistan.

Warehousing

- In 2016 Dagab handled approximately 2 billion products and turned over its inventory every 12th day.
- In connection with the construction of a new transit warehouse for perishables in Jönköping, the warehouse will be highly automated.
- Charging posts for refrigeration of trucks while idle result in lower emissions and efficient product loading and unloading.

Transports

- Deliveries are made to some 7,000 stores and customers nationwide.
- 72% of all fuel used in 2016 was based on renewable ingredients.
- More than 300 stores in the countryside are supplied with Axfood products.
- CO₂ emissions from own transports decreased by 49% per tonne of transported goods in 2016.

Retail/B2B customers

- Axfood uses store and warehouse rooftops to generate renewable electricity for its own use from solar panels. The solar panel systems generate the greatest output during the summer months, when the stores need the most electricity for refrigeration of products. During the year Axfood's solar panels generated approximately 180,000 KWh of electricity.
- Every week some 3 million customers shop at a Willys or Hemköp store.
- Hemköp's customer programme has more than 1 million members, and Willys Plus has 2 million members.
- During the year, newly established stores created 135 new jobs.

Value

Society

Social security costs, pension costs, income taxes, value-added taxes, alcohol taxes, withholding taxes

SEK 2,833 m



Suppliers

Cost of goods for sale

SEK 31,654 m



Employees

Salaries and remuneration

SEK 3,597 m

Average number of employees

9,211



Axfood

Total capital expenditures

SEK 580 m



Shareholders

Dividend (proposed by the Board of Directors)

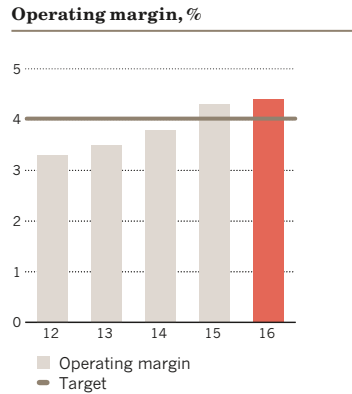
SEK 1,259 m



Targets and target achievement

Axfood's strategic targets support the strategy of achieving profitable growth while driving work with environmental issues and committed employees who are to reflect the diversity of society at large.

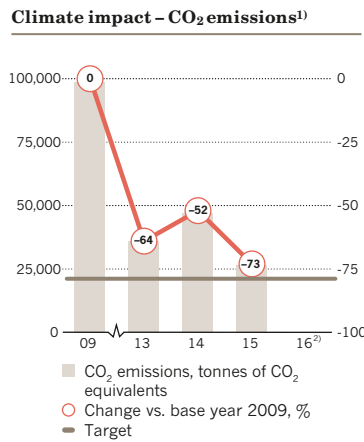
Financial targets



Target:
Long-term operating margin of 4%.

Outcome:
In 2016 the long-term target was reached, with an operating margin of 4.4%.

Environmental targets



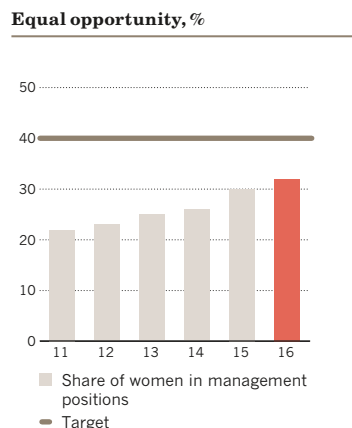
Target:
Axfood will be climate-neutral by 2020. The climate impact from own operations will decrease by 75% by 2020 (base year: 2009).

Outcome:
From 2009 through 2015 Axfood decreased its climate impact by 73%.

¹⁾ Through better data collection, historical figures have been adjusted compared with the year-end climate data from the Haga Initiative.

²⁾ The outcome for 2016 is dependent on the residual mix, which will be published later in 2017.

Employee targets



Target:
Axfood will have an even gender balance in management positions over the long-term, i.e., men and women will be represented within a range of 40%–60%.

Outcome:
Axfood has met its long-term target at the mid-management level; in other management positions the share of women was 32%.

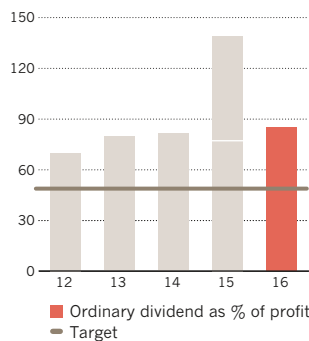
Equity ratio, %



Target:
An equity ratio of at least 25% during all quarters.

Outcome:
The equity ratio as per 31 December 2016 was 39.1%, and the target was achieved during every quarter.

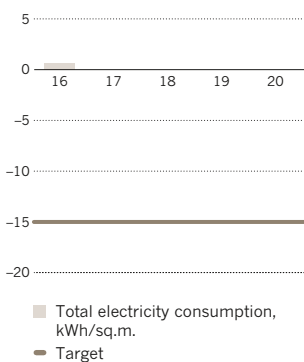
Dividend in relation to profit, %



Target:
Axfood's dividend policy sets the goal that the shareholder dividend shall be at least 50% of profit after tax.

Outcome:
The Board of Directors proposes an ordinary dividend of SEK 6.00 (5.00) per share, corresponding to 85% of profit after tax. In the preceding year an extra dividend of SEK 4.00 per share was also paid.

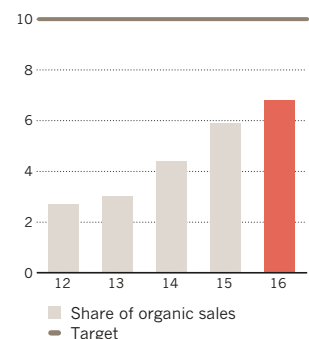
Electricity consumption, %



Target:
Axfood will reduce its energy consumption by 15% per square metre by year-end 2020 (base year: 2015).

Outcome:
Axfood increased its energy consumption in 2016 by 0.7% per square metre.

Share of organic sales, %



Target:
Organic products as a share of total net sales will amount to 10% by 2020.

Outcome:
Organic products accounted for 6.8% of net sales in 2016. Organic products accounted for 9.3% of total for Hemköp and 6.0% for Willys.

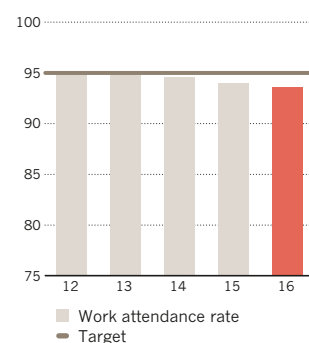
Diversity, %



Target:
By 2020 at the latest, at least 20% of Axfood's managers will have an international background.

Outcome:
In 2016, 11% of Axfood's managers and 21% of employees came from an international background. More than 30 languages are spoken within the Group.

Work attendance rate, %



Target:
A work attendance rate among Axfood's employees of at least 95%.

Outcome:
The work attendance rate in 2016 was 93.9%.

Axfood's six sustainability work areas



The amount of food thrown out by Swedish households corresponds to 500,000 tonnes of climate-affecting emissions. That is the equivalent of the emissions every year from 200,000 cars.

Axfood's ambition is to be a leader in sustainability and to dare to be at the forefront of new technical solutions and ways of working. This work is channelled through six work areas.



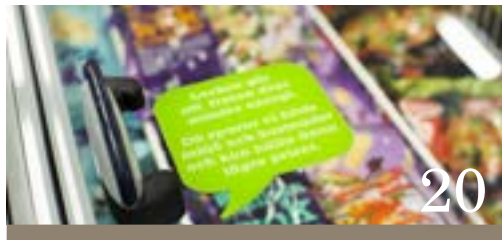
Sustainable products

Axfood shall facilitate choices for conscious consumers by offering an environmentally adapted assortment of sustainability certified products, extensive animal welfare standards, practical solutions, and good consumer information.



Transports

Axfood shall reduce its climate impact from transports and travel.



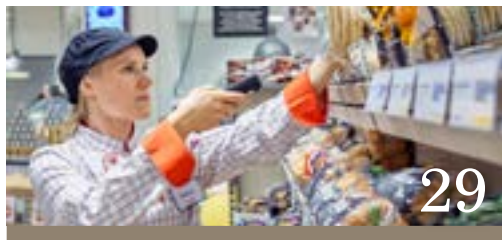
Climate and energy

Axfood shall reduce the climate impact from its own operations caused by the handling of goods, transports, energy and use of premises.



Responsible suppliers

Axfood shall promote respect for human rights, workers' rights, and care for the environment among suppliers and business partners.



Employees

Axfood shall create a work environment that promotes employee involvement, diversity and opportunities to develop.



Corporate social responsibility and influence

Axfood shall address social needs through its business operations and give customers opportunities to get involved through cooperation with charitable organizations.

Sustainable products

Taking care to ensure that everyone has access to good and sustainable food

Axfood aims to guide and inspire customers to make good and sustainable choices. By challenging traditions and thinking along new lines, Axfood wants to make it possible for more people to have access to good food products. Customers should feel secure that Axfood is advocating for issues that are raising the standard in the entire industry – and that its private label products are the foremost proof of its work in this area.

Meet demand for food produced in Sweden

Studies show steadily growing consumer interest in Swedish food products and ingredients. In spring 2016 Axfood released its first products bearing the new industry-wide Swedish country of origin label Från Sverige. Axfood was one of the initiative-takers behind the new label and launched 258 private label products during the year with the marking. The first of these was Garant milk, followed by large parts of the dairy assortment. This has also entailed that Axfood has repatriated certain production of Garant products that was previously conducted in other countries. For example, for “hushållsost” cheese, butter and crème fraîche, foreign primary ingredients have been replaced with Swedish ones. The blue and yellow label guides consumers toward products with Swedish value-added, such as food safety, good animal care, stringent environmental standards and low use of antibiotics.

Continued increase for veggie alternatives

During the year the assortment of vegetarian products continued to grow – especially with respect to the number of products that are competing as alternatives to meat. For example, Garant introduced vegetarian burger patties, vegetarian mince, and pulled veggie based on wheat.

An annual survey of changed food habits among people in Sweden shows a continued upward trend for vegetarian food. Nearly one in two (45%) Swedish consumers stated that they eat vegetarian one or more times a week, and many say they plan to increase the frequency in which they eat vegetarian. The biggest reasons they cite for this are care for the environment and climate change, according to the survey, which was conducted by Sifo under commission by Axfood.

Axfood's sales of vegetarian products, i.e., refrigerated and frozen plant-based protein substitutes, increased by 37% in 2016.

Debut for veggie sausage

Axfood has launched an organic sausage that consists half of meat and half of vegetable

ingredients. The sausage, which comes in two flavour variants – mung bean and barleycorn – is a climate-smart alternative since some of the meat is substituted with plant-based proteins. All of the ingredients are high-quality, and the barleycorn sausage is made of 100% Swedish ingredients. The mung bean sausage received a silver medal in the 2016 Swedish Charcuterie Championships.

Quality meat guaranteed

Axfood strives to offer customers a varied assortment of high quality products. Aside from the distinct vegetarian trend, Axfood is committed to offering sustainably and responsibly produced meat. All fresh meat from Garant is 100% Swedish, which is something customers attach a premium to. Starting in 2017 all processed meat products will also be made exclusively from Swedish meat, with a few exceptions. In cases where there is a compelling connection to the product's origin – such as dry-cured prosciutto from Italy – Garant will offer high quality products from such regions and countries.

New requirements for third-party verification of animal care

Axfood has previously conducted a mapping of the various certifications that exist for animal care in various countries and requires that antibiotics are not used in healthy animals. In 2016 Axfood upgraded its standards so that all suppliers of primary meat ingredients must have third-party verification of animal care. These standards will be gradually introduced in pace with the renegotiation of existing agreements and for agreements with all new suppliers.

In late 2016 comprehensive animal care inspections were conducted at six farms in Ireland. In addition, an audit was performed on Axfood's behalf of a supplier of Garant cold cuts from Italy, a family-owned company that was able to show it abided by the same Swedish standard regarding the use of antibiotics. Further, during the year Axfood visited two suppliers in Denmark with a specific focus on antibiotic use.



Axfood is an advocate of raising the status of frozen food and hopes that its industry peers will do the same. For example, frozen vegetables have a high nutritional content and do not require air transport. Moreover, waste is kept to a minimum with frozen products.



The industry-wide Swedish country of origin marking for food produced in Sweden.

#2

Sweden is Number Two in the world in sales of organic products.

Read more at www.garantskafferiet.se

Priorities 2017

- Continue developing the range of charcuterie products sourced in Sweden
- Continue launching vegetarian products
- Continue development of organic products
- Perform at least three inspections of meat suppliers based on risk or volume
- Implement the SIN list for non-food products. (SIN stands for “Substitute It Now”. ChemSec (the International Chemical Secretariat), which maintains the list of chemicals that are judged to be environmentally hazardous, conducts lobbying work to get more compounds listed that are covered by REACH, the EU chemicals regulation)

Sustainable seafood in all stores

Axfood has set a goal for 2020 to sell only fish and shellfish that has been approved by WWF and is included on its green list. All fish and shellfish that is certified according to the MSC, ASC or KRAV standards meet this requirement, which certifies abundant fish populations and responsible and sustainable fishing practices that also take environmental concerns into account. Since 2008 none of Axfood’s store chains sell fish on WWF’s red list.

Country of origin labelling, organics and certifications

For Axfood’s private label products containing meat, the country of origin of the main ingredient as well as the meat is marked on the product.

All important risk crops are to be sustainability certified. This applies especially for primary ingredients such as coffee, tea and cacao, which are considered to be clearly encumbered with social and environmental challenges. All Garant-branded tea and coffee comes from Rainforest Alliance certified or Fairtrade certified plantations. Since 2009, all palm oil used in Axfood’s private label products is compensated through offsets. The use of certified palm oil is increasing gradually, which is thereby reducing the need for offsets. All soy used in the Group’s private label products must be either certified or offset through certificates. Tinned, frozen or dried vegetables are to be certified according to integrated production or similar standards by 2017 at the latest.

Axfood’s organic meat is to be KRAV-labelled. Hemköp sells only organic bananas.

Requirements for use of antibiotics

Axfood does not sell any meat in which antibiotics have been used for growth-enhancement purposes. In addition, for the Group’s private label products, antibiotics may only be used under order and documented by a veterinarian.

Antibiotics may not be repeatedly administered to all animals in a given age category. If this is done, the situation must be corrected, otherwise Axfood will not sell the product. Prime veal is an example of a product that Axfood does not carry in its assortment for this reason.

Fairtrade cacao in Axfood’s chocolate bars

As a complement to its existing Fairtrade seal, the Fairtrade organization has created a certification that verifies that the primary ingredient of a product is Fairtrade certified, but not all of the other ingredients. This primary product programme is focused on products such as cotton, cacao and sugar, enabling more products to qualify for Fairtrade certification. This is helping to boost sales volumes for smaller producers.

Axfood was the first Swedish retailer to work with Fairtrade’s primary product programme to buy cacao for the new line of Garant chocolate bars that was launched in 2016.

Wealth of information in Garant cupboard

To meet customers’ growing interest and need for information about product origins and production, Axfood has started “the Garant cupboard” website, garantskafferiet.se. The aim is to increase transparency toward customers. On the website customers can read about all of the more than 1,200 products in the Garant assortment, including some 240 organic items. The descriptions explain where the products come from, how they have been produced, and whether they are organic or have some other certification. They also describe Axfood’s views on packaging, ecology, health, and more. According to the research firm TNS Sifo, when choosing products at a grocery store Swedish consumers feel that the most important factors from a sustainability perspective are to avoid chemicals and pesticides, promote good animal welfare, and to be able to see the country of origin on the packaging.

Climate-smart family chooses Hemköp

The Hallströms, a family of five, volunteered in October 2016 to live as climate-smart as possible during a one-year period. They want to see if – by making conscious choices and using smart solutions – they can reach the UN’s highly set carbon footprint target of one tonne of CO₂ per person by 2050. Today the average person in Sweden is responsible for 10–14 tonnes of CO₂ emissions per year.

The Hallströms have made climate-smart renovations to their home, they drive electric and hybrid cars, and during the 12-month period they will get their groceries from Hemköp.

Hemköp is supporting the family in its undertaking by providing inspiration for how to eat well and climate-smart at the same time, such as by eating foods when they are in season and making sure that they use everything in their refrigerators and cupboards.

“Shopping at Hemköp will make a big difference,” says the family patriarch, Anders Hallström. “They have a large selection of organic and local products.”



Key data per store chain

	Hemköp			Willys			Willys Hemma		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Number of organic products	1,418	1,538	1,212	987	880	712	753	665	422
Organic products as % of total food sales	9.3	8.1	6.0	5.9	5.1	3.5	7.5	6.6	4.5
Number of Fairtrade certified products	155	155	114	87	82	67	76	65	46
Fairtrade certified products as % of total food sales	0.79	0.78	0.89	0.86	0.81	0.53	1.20	1.14	0.80
KRAV-certified meat, % of total meat sales	6.8	5.8	n.a.	2.8	3.0	n.a.	5.0	5.4	n.a.
Number of hypoallergenic products	963	951	995	798	755	795	558	504	503

Quality standards

TYPE OF PRODUCT	SUPPLIER REQUIREMENT ¹⁾
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 marking
Products designed for contact with food	Certification that the product is made with material approved in accordance with Normpack's rules

¹⁾ Suppliers that have not completed certification can request dispensation if they can present a credible timetable for certification.

Quality assurance of private label products

	2016	2015	2014
Private label product recalls from stores	24	26	24
Product recalls from stores, other	76	96	58
Share of private label product suppliers approved according to GFSI, %	99	99	99

Clearer standards for toys, cleaning items and packaging

While Axfood sells primarily food products, the Group also markets other non-food items under its private labels, such as household cleaning products or products in various types of packaging. All such products are subject to the EU's REACH regulations for chemicals, while food and hygiene items are covered by specific regulations governing prohibited substances. An equally clear set of regulations is lacking for other types of products.

The non-profit organization ChemSec maintains the so-called SIN list, which includes compounds that have been proven in research to be hormonally disruptive or carcinogenic. During the year Axfood's buyers and category heads received training in the SIN list, with the goal to phase out all compounds on the SIN list by 2022. These requirements have been communicated to all suppliers, while all new suppliers are subject

to the requirements from the start. Since Axfood has been working actively with various markings, such as Bra miljöval ("Good Environmental Choice"), several potentially controversial substances have already been phased out, which is facilitating the process.

Less food waste with the right packaging

Food waste is a global challenge. Considering that nearly all of the food we eat today has been packaged in some way, packaging design plays a key role in preserving the contents all the way to end consumers' homes from packing house, warehouse and store shelf. In a development project entitled "Packaging systems for reduced food waste", which Axfood has participated in from the start, the goal is to identify the amount and cause of waste throughout the value chain and to develop new and innovative packaging solutions that reduce food waste. Read more about the project at innventia.com.



Vegetarian spaghetti Bolognese

A more climate-smart variant of a Swedish favourite, spaghetti Bolognese, is easy to make with Garant vegetarian mince and organic bean pasta. The veggie mince, one of the latest product launches in the Garant vegetarian assortment, is high in protein and can be seasoned and shaped just like classic minced meat. Garant organic bean pasta is gluten-free, made from organic soybeans, and contains fewer carbs but more protein and fibre than ordinary pasta.



Axfood first in Sweden with Fairtrade's product programme

Axfood was first in the Swedish market to work with Fairtrade's new primary product programme by buying cacao for a new line of Garant chocolate bars. In doing so Axfood is supporting cacao farmers in the Dominican Republic and contributing to development of the villages nearby the plantations.

The Garant chocolate bars, which were launched in 2016, come in eight different variants, of which two are organic. None of the chocolate bars contain any ingredients with e-numbers – just high quality ingredients.



Transports

Focused work for lower environmental impact



The business sector should use electric hybrid vehicles to a greater extent for product deliveries in cities. At the same time, Axfood wants politicians to solve the problem via the EU's state support rules so that economic mechanisms can be used effectively to enable a full-scale changeover to renewable fuels by 2030.

Through various measures during the year Axfood has succeeded in lowering the environmental impact from goods transports – above all through a concerted strategy to purchase HVO fuel and a focus on changed behaviours in transport work. In autumn of 2016 Axfood began quantifying the environmental impact also from external hauliers.

Greater access to HVO

Axfood has a fleet of 138 (135) delivery trucks, which account for roughly half of product deliveries to stores. In 2016 Axfood gradually began using HVO fuel in 133 trucks and 100 trailers when possible. HVO is made from 100% renewable ingredients. It is a synthetic diesel that is produced through hydrogenation of plant-based fats and/or waste animal fats. Through a new agreement with a fuel supplier nearby Axfood's distribution centres, access to HVO fuel has increased significantly, which had a direct impact on carbon emissions from goods transports during the year.

The warehouse in Backa (Gothenburg) had the most successful conversion to HVO fuel during the year, where 100% of the trucks and trailers were fuelled using HVO by year-end. At other hubs in Axfood's logistics chain, the drivers are urged to incorporate HVO fuel into their route planning. One challenge is that a number of refrigeration units are still not approved for use of 100% HVO. If these trucks are fuelled with HVO, the refrigeration units must be fuelled separately.

In 2016 CO₂ emissions from the Group's own fleet decreased by 49% per tonne of goods.

Research into alternative fuels

As an alternative to HVO fuel, the trucks can use other types of biodiesel. Compared with conventional diesel, these result in lower emissions of carbon dioxide and soot particles, but slightly higher emissions of nitrogen oxides. During certain periods in 2016 Axfood essentially eliminated the use of traditional, fossil-based diesel fuel in its own fleet. Instead, only alternative fuels with various percentages of renewable ingredients were used, which has clearly increased awareness in the Group's transport operations.

Since 2014, in cooperation with Volvo, Axfood has been testing the use of liquid petroleum gas (LPG) in two trucks. During the year steps were also taken to look into the possibility of using electric hybrid trucks for transports of smaller volumes in the operations.

Long-haul transports within Sweden

As part of the Group's efforts to reduce carbon emissions, in September 2016 Axfood started using rail for distribution of fruits and vegetables to Norrland, Sweden's northernmost province. In addition, certain transports of products from Sweden's southernmost province, Skåne, to the distribution centre in Jordbro outside Stockholm are also now being done via rail.

Smarter planning in many ways

The new fleet management system that was put in operation in 2015 has contributed to better follow-up and opportunities to influence driving, including the ability to monitor fuel consumption. The system encourages a softer driving technique (so-called eco-driving) and results in less wear and tear on vehicles. Weekly follow-ups have helped identify various behaviours and how they affect fuel consumption, such as excessive speed and driving styles. The various units' results have been compared and analysed. Based on these follow-ups, drivers have then received training on the impact of driving styles.

Another form of improvement during the year concerns how the trucks' refrigeration units are operated during loading of goods at warehouses. Previously, there was a "hidden" level of combustion, as the trucks used their engines to power the refrigeration units. At the warehouses in Backa and Jordbro, today electricity charging posts are used exclusively. This has resulted in carbon-efficient operation of the refrigeration units instead of allowing the trucks to idle while also reducing noise levels, which is positive especially for loading during night hours.

Mapping of external hauliers

Axfood also uses external hauliers to meet its transport needs. In autumn 2016 Axfood initiated a pilot test with a number of external hauliers to measure their carbon footprint. They report their data using a tool created by the Swedish Association of Road Transport Companies, which measures the environmental impact of transports based on the various types of fuel used as well as type of truck. This work is expected to be rolled out across a broader

front in 2017, and over time Axfood will be able to monitor the environmental impact from all external hauliers.

Online meetings

The Axfood Group is taking measures to reduce business travel, such as by using digital meeting platforms. Apart from the benefits to the natural environment, reducing travel also contributes to a better work environment. Fewer trips give employees greater opportunities to achieve a sound work/life balance. For necessary travel, rail or coach is to be prioritized over air travel. All air travel is climate-compensated. In 2016 conference calls and video meetings increased by 78%, and travel by personal and company cars on business decreased. Axfood’s company cars meet the criteria for classification as environmental cars established in 2012.

CO₂ emissions – business travel¹⁾

	2016	2015	2014
CO ₂ air travel, tonnes ¹⁾	678	655	627
CO ₂ rail travel, tonnes ¹⁾	0	0	0
CO ₂ car travel, tonnes	427	489	527

¹⁾ Pertains to business travel booked by travel agencies.

CO₂ emissions – transports¹⁾

	2016	2015	2014
Total CO ₂ , tonnes	5,309	9,433	9,636
CO ₂ kg/tonnes of goods	8,7	16,9	20,0
CO ₂ kg/SEK m in sales	375,1	709,8	835,8
No. vehicles in own fleet	138	135	137
No. vehicles with breath alcohol ignition interlock devices	138	135	137

¹⁾ Pertains to delivered value using own fleet.

Priorities 2017

- Investigate the use of e-vehicles for deliveries of small volumes
- Measure and quantify the environmental impacts from external hauliers

Axfood’s delivery fleet

Newer delivery vehicles have a lower environmental impact. Axfood’s fleet is modern, and more than 96% of the vehicles meet EURO class 5 or 6.



Positive test of hybrid truck

As part of its efforts to achieve the Group’s ambitious climate targets, Axfood has begun testing transports of goods with electric hybrid trucks.

One advantage of an electric hybrid is that fuel consumption can be reduced by up to 18% in city traffic. Moreover, for shorter distances the trucks can change over to 100% battery operation – for up to 2 km. But the battery’s main function in a hybrid is to assist when needed the most.

When a hybrid vehicle operates solely on the battery, there is no engine noise – which is appreciated above all by people in residential areas nearby delivery routes. Apart from being quieter, the battery gives a hybrid vehicle a power boost from a stopped position.

Following positive results of the hybrid truck trial, the plan is to initially add a hybrid truck to the delivery fleet for inner-city deliveries and continue evaluating its use.



Climate and energy

New thinking and broad perspective creating new opportunities

Climate work at Axfood is a matter of continuous improvements and innovations. During the year the decision was taken to continue investing in solar energy, and the Group continued its work with energy efficiency improvements. Axfood is also working across a broad front to reduce its climate impact, such by reducing food waste and changing over to fossil-free plastic bags as well as conducting advocacy work for a sustainable food strategy for Sweden.

Priorities 2017

- Identify additional stores with rooftops suited for solar panel systems
- Packaging that is better-suited for material recycling

Optimization and efficiency improvement

Grocery stores account for approximately 4% of total energy consumption in Sweden. Refrigerator and freezer displays are the largest users of electricity. At the same time, these units generate heat that can be recycled to create a comfortable indoor climate for customers and staff. Axfood's warehouse in Jordbro is already hooked up to the district heating network, and Axfood is now studying the opportunity to sell its surplus heat back to the network.

The systematic work on improving efficiency and lowering energy consumption through small improvements and smart solutions is ongoing continuously. One example is the requirement that all new stores be fitted with LED lighting. In existing stores as well, technology is being installed to measure and control freezer displays and ventilation systems. Such technology provides helpful documentation on which to base decisions for further investments in energy-efficient equipment.

Technology is also being used to optimize the energy used by refrigerator and freezer displays and to ensure that these systems are coordinated with the store's ventilation so that surplus heat is recycled instead of being vented out of the building.

Measures such as these have been instrumental in the work on lowering energy consumption. During 2016, total electricity

consumption in relation to net sales decreased, and for the stores electricity use per square metre also decreased. However, in the warehouse operations, electricity consumption rose slightly due to greater utilization of warehouse premises. Total electricity consumption rose in 2016, mainly attributable to sales growth, greater activity in stores associated with a larger number of customers, and a higher share of perishables that require refrigeration.

In 2016 Axfood presented a new, long-term target for energy consumption which calls for the Axfood Group to reduce its electricity consumption by 15% per square metre by year-end 2020, from the base year 2015.

Solar energy in Jordbro

After the Swedish government reversed its position regarding a tax on solar energy, Axfood resumed its work on installing a solar panel system at its warehouse in Jordbro. It is estimated that the system will generate 100,000 kWh of electricity per year, and similar systems have already been installed on the rooftops of the warehouse in Backa and of Willys stores in Länna and Kungsbacka. Investments in solar panel systems are continuing, and Axfood is now looking into which additional stores around the country are suited for having a solar panel system installed.

Change in solar energy tax. See p. 33



Electricity consumption for Group-owned stores and wholesale facilities¹⁾

	2016	2015	2014
Retailing, MWh	238,902	232,810	224,990
Wholesaling, MWh	29,063	27,577	28,744
Total, MWh	267,965	260,387	253,734
Electricity consumption (kWh) in relation to net sales (SEK), %	0.62	0.63	0.66
Number of stores	258	262	259
Electricity consumption kWh/m ² , stores	360	361	383
Electricity consumption kWh/m ² , wholesale facilities	209	196	205
CO ₂ emissions (tonnes) in relation to net sales (SEK m), % ²⁾	n.a.	12	66
Total CO ₂ , tonnes ²⁾	n.a.	4,891	25,435

¹⁾ 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.

²⁾ Data on the residual mix for 2016 will be published later in 2017.



Matmissionen fulfils great need

In 2015 Axfood, in partnership with Stadsmissionen, took the initiative for Matmissionen, a social supermarket at which members can shop at discounted prices. Operation of the store was interrupted for about six months during the year because it was burned down during the spring. The police have classified the fire as arson. After the store was resurrected in a building that previously housed a Willys in Veddesta outside Stockholm, approximately 25 tonnes of food have been sold to financially disadvantaged people. In a short period of time the store has attracted more than 2,000 members, who can buy products for about a third of the ordinary retail price. Apart from helping to reduce food waste, the store provides a financial helping hand to people in financial difficulties and also provides job training. In early 2017 Matmissionen is opening a second store, also in the Stockholm area.

In the short time that the store has been in operation, it has become clear that demand is high. Customers queue up outside the store early in the morning before opening, and membership is growing steadily. Matmissionen's staff feel a great sense of appreciation from the store's customers. Fresh products are in particularly high demand. Through Matmissionen, more people are getting an opportunity to try new products and vegetables that they otherwise would not have considered due to their price.

Refrigerants a continued challenge

The ever-greater share of perishables, which require refrigeration to stay fresh, affects not only energy consumption, but also emissions from refrigeration systems. The refrigerants that are used in refrigerators and freezers are subject to an unavoidable amount of leakage, and in 2015 refrigerants were the single largest source of emissions to air. In pace with the replacement of refrigerator and freezer units, the climate impact reduces, since the newer units use environment-friendly refrigerants.

After 2020 it will no longer be possible to refill refrigerants that have a significant climate impact.

Recalculated to CO₂ equivalents, emissions from the use of refrigerants in Axfood's stores, warehouses and own trucks in 2015 amounted to just under 11,000 tonnes of CO₂ equivalents. The total climate impact is based on 2015 figures, since complete documentation from the refilling of refrigerants in 2016 will not be available until later in 2017.



In its Matkassen 2030 report Axfood urges politicians to create a tax exemption for solar energy produced and used by the same building.

#2

Matmissionen is opening its second store in early 2017.

-73%

Axfood has reduced its carbon footprint by 73% since 2009.

Lower environmental impact from plastic bags. Read more on p. 34



Climate impact 2015

Owing to a time lag in the Energy Markets Inspectorate's reporting on the residual mix in Sweden, Axfood will not be able to assess the climate impact from stores that are not the direct electricity customers until mid-2017. The residual mix consists of the breakdown of fossil-, renewable- and nuclear power-based electricity that remains after factoring in electricity used by customers that have actively chosen their electricity source. Since 2009 all buildings in which Axfood is the electricity customer use electricity from renewable sources. During the year Axfood requested renewable electricity also for its other stores. All property owners except for one have either switched over or have stated their intention to switch over to renewable electricity.

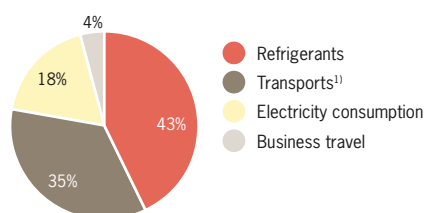
Axfood's total, direct climate impact is based on the residual mix together with emissions from refrigerants, transports and business travel. In 2015 this amounted to 26,653 tonnes of CO₂ equivalents, which is a decrease of 44% compared with 2014. The biggest part of this decrease can be credited to the fact that most stores in which Axfood's stores are not the direct electricity customer changed over to renewable electricity contracts.

Measurability of waste

Recycling is essential in an increasingly circular economy and decisive for reducing Axfood's climate impact. Sorting of various material fractions is even more important in stores than in warehousing due to the smaller size of packaging. Axfood sorts waste into nine different fractions:

- soft plastic
- hard plastic
- glass
- metal
- corrugated board
- paper
- organic material
- combustible material
- environmentally hazardous waste

Climate impact – CO₂ equivalents 2015



¹⁾ Pertains to Group-owned delivery vehicles.

In terms of volume, corrugated board and soft plastic are the dominant fractions. Material fractions that cannot be recycled are sent off for incineration. The extent to which Axfood sorts is expressed as the weight of combustible material in relation to net sales. A low share of combustible material indicates a high share of sorting and recycling. In 2016 both Willys and Axfood recycled more material, measured both in terms of tonnes as well as in relation to net sales.

Combustible waste 2016¹⁾

	Willys		Axfood Snabbgross	
	2016	2015	2016	2015
Combustible waste from stores, tonnes	9,103	10,238	614	751
Combustible waste (tonnes) in relation to store sales (SEK m), %	40	46	21	27

¹⁾ Moving 12-month figures with a one-quarter time lag. Hemköp is currently conducting a quality assurance of its reporting system.

Increased recycling leads to climate gains when other follow suit

One way of increasing recycling of the packages that Axfood produces – and in such way reducing the need for virgin material and the climate impact from the production process – is to have deposits. In 2015 Axfood was the first food retailer in Sweden to voluntarily introduce deposits for bottles of concentrated fruit juices, which resulted in the recycling of 70% of the concentrated fruit juice bottles sold under Axfood's private labels in 2016. Most producers of concentrated fruit juices in the Swedish market changed over to the deposit system in 2016.

Reducing food waste is climate-smart

Every year more than 600,000 tonnes of food in Sweden is tossed out unnecessarily, which represents an unnecessary burden on the environment. Axfood is working with several initiatives to reduce food waste.

In 2016 the store chains worked actively on partnering with local charity organizations that can take care of food left over from stores instead of it being wasted. In all, some 80 stores are currently involved in such partnerships. The consumer campaign #svinnsmart (“waste-smart”) is another initiative for encouraging customers at Willys stores to buy products with short “best-before” dates and thereby reduce waste. Willys has set a goal to cut food waste in half within five years.



Charity instead of waste

Many of Axfood's stores and warehouses are cooperating with charity organizations and/or Matmissionen. It is estimated that through these partnerships Axfood donates some 250 tonnes of food every year to good use instead of being wasted.

250 tonnes

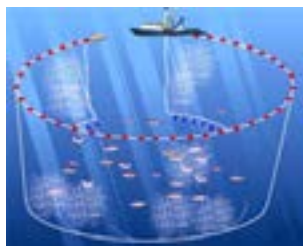
Responsible suppliers

Groundwork and collaboration – for better conditions in the supply chain

The food industry as a whole is facing major challenges to ensure and contribute to sustainable and responsible conditions in the supply chain. One of these challenges lies in the complexity of the various countries' conditions. Axfood puts high demands on suppliers' sustainability aspects and works preventively as well as practically to deal with deviations – often in collaboration with other actors that have depth of knowledge about local conditions or with other industry players to create pressure for change.



Catch period: 17 June 2016



Fishing method: Purse seining



Fishing area: Western Pacific Ocean

Improved social dialogue in Thailand

In spring 2016 Axfood visited a number of suppliers in Thailand in continuation of the work that was begun back in 2014 to check the working conditions at the suppliers and their subcontractors. Among other things, Axfood has driven the issue of allowing suppliers' employees to participate in committee work for stronger rights. At one of Axfood's suppliers the Migrant Workers Rights Network organization has lent its support to migrant workers, which resulted in them being able to choose their own representatives and engage in a dialogue with their employer on the conditions in the factory – something that is very uncommon at Thai workplaces.

In Thailand Axfood also actively participated in BSCI and ILO's roundtable discussion on improvements for migrant workers in Thailand's food industry. The initiative gathered some 100 representatives of producers, buyers, civil society, unions and authorities for a full-day event in Bangkok. In October, Axfood and the Swedish retail trade organization Svensk Dagligvaruhandel then held a similar roundtable discussion in

Stockholm to share additional experiences and find a joint path forward.

One major challenge from a human rights perspective entails the recruiting costs that migrant workers often have to pay to agents who broker the jobs. The fee is rarely in proportion to the workers' pay and creates a debt trap for many migrant workers. Based on experience from Thailand and in line with the UN Guiding Principles on Human Rights, Axfood is now working on a plan for how the Company is to act with respect to these issues.

New certification of secure working conditions for guest workers

Against the background of an initiative that was started in autumn 2014 by Axfood, Axfood and Martin & Servera, the Swedish fruit and vegetable industry – together with Sigill Kvalitetssystem – has devised a new standard, IP Arbetsvillkor ("IP Working Conditions"). The aim is to create more secure working conditions for the some 20,000 guest workers from primarily Romania, Poland, Ukraine and the Baltic countries who come to Sweden each year to work in the fruit and

Traceable tuna

Tinned tuna is an affordable and nutritional food that has always been a popular ingredient in salads and healthy dishes. Unfortunately, a lot of tuna is fished illegally, and to come to grips with the problem various certifications and markings have been established. Garant has chosen to certify its tuna according to MSC (the Marine Stewardship Council), to assure that the tuna have been caught in an ethical and sustainable manner.

In addition, in 2016 a special traceability code was introduced that allows consumers to see where the fish came from and how it was fished. By visiting the website garantskafferiet.se/tonfisk, customers can enter the code printed on a Garant tuna fish label. They will then find out where the tuna was caught, what type of fishing method was used, and the name of the captain of the fishing boat, among other things.





Better terms for growers of Garant Fairtrade coffee

The coffee beans in Garant organic coffee are Fairtrade certified, which means that the farmer is guaranteed a set, minimum price and that the cooperative (made up of a number of farms in the region) receives a premium. The cooperative allocates the premium to various initiatives designed to improve life and conditions for the farmers. In Colombia the premium is currently financing road improvements in the steep and rugged mountainous terrain. It is also being used to pay for healthcare costs, so that the growers and their families always have access to basic care. In Honduras, strong focus is on further education in coffee growing and in running a business. Opportunities are even being provided for online university courses. A large share of growers in Colombia are women, who have the opportunity to take out microloans to invest in beekeeping and sustainability-focused tourism projects.

vegetable industry. The standard can be used starting in January 2017 and will be applied by Axfood. If a grower is certified according to IP Arbetsvillkor it entails among other things that all employees – including hired-in labour and seasonal workers – are entitled as a minimum to the collectively bargained minimum wage, a reasonable housing standard and regulated working hours. Axfood will thereby be able to have a better assurance that the requirements in the Group's Code of Conduct, including good working conditions, will be adhered to at all levels. In 2020 all relevant suppliers are to be certified according to the new standard.

More training for suppliers

During 2016 Axfood continued to implement a digital training tool among suppliers in China.

The aim is to provide training for both managers and labourers in working conditions, work environment and social dialogue and thereby improve working conditions at workplaces. A total of 970 persons have completed the training, corresponding to just over 90% of the employees at the seven suppliers that have used the tool. A review of the results shows that those who have completed the training have good knowledge about their basic rights and working conditions, but that there is a great need to increase knowledge about how dialogue and negotiations are to take place between employees and employers. Axfood is therefore planning to add more in-depth information about social dialogue to the training tool and to conduct the training with additional suppliers. There is still potential for improvement in the

Integrated Production (IP)

IP (Integrated Production) is an independent standard for certification of food safety, animal care and environmental responsibility for companies in the food and flower industries. IP Arbetsvillkor is the first standard in Sweden to be established for labour law.





Axfood is a strong proponent of politicians introducing a transitional subsidy to enable more farmers to convert to organic farming. Axfood also wants politicians, within the framework of Sweden’s rural development programme, to stimulate a changeover to biodiesel in agriculture.

Garant Fairtrade certified chocolate bars.
Read more on p. 17



area of health and safety. Axfood plans to increase the focus on health and safety in 2017 by following up and providing clearer support to the suppliers.

The same tool is also being used by an increasing number of Swedish purchasing companies.

Studying opportunities to be a driver of living wages

Axfood is still in an early stage of dealing with the issue of living wages. In 2016 Axfood commissioned two research projects to specifically look into opportunities and where the Company can have the greatest impact. Preliminarily the results point to a number of alternatives: being a driver of living wages through sustainability certifications such as Fairtrade, engaging in direct trade, or through cooperation with unions, for example. Axfood envisages that functioning negotiation mechanisms will be in place that will enable employees to have more influence over their pay levels. BSCI audits are allowing Axfood to gather a greater amount of information also with respect to living wages.

In previous risk analyses Axfood has identified social and environmental risks in rice production in Pakistan, including indebtedness, poor knowledge about pesticides, and children who are prevented from attending school. In 2016 Axfood drafted a plan for an 18-month project supported by Sida (the Swedish International Development Cooperation Agency) in cooperation with a major supplier, the charitable organization Oxfam and Axfoundation focusing of rice farmers. The project will provide training in sustainable farming to farmers with smaller rice plantations in ten villages.

The aim is to increase the farmers’ knowledge about the quality of rice, prices, and how to organize themselves and raise their status in the supply chain and thereby improve their conditions. Based on the experiences gained from this project, methods will be developed that can also be used among a broader group of farmers.

Reduced use of pesticides in fruits and vegetables

During the year Axfood drew up a specification list of pesticides that suppliers of fresh fruit and vegetables are to phase out from their production globally. The response from the growers has been positive. The list is based on a compilation of Pesticide Action Network’s list of hazardous compounds and compounds that are banned in the EU. On top of these Axfood has a watch list of additional compounds that have been determined to be potentially hazardous to health and the environment. Axfood is working on wide-scale implementation of the list in 2017, with the goal of having it complete by 2020 at the latest.

Only Fairtrade certified roses from Hemköp

Starting in February 2016 Hemköp sells only Fairtrade certified roses at all of its stores throughout Sweden. The Fairtrade seal represents an independent certification that creates conditions for growers and workers in countries with widespread poverty to improve their working and living conditions and stop child labour. Hemköp’s roses come from Fairtrade certified growers in East Africa.

Sustainability assessment in purchases of private label products



Risk analysis (primary products/countries)

Axfood conducts analyses of primary products and countries in which risks may exist.



Supplier requirements for working conditions

Axfood makes demands on the working conditions that suppliers must satisfy (Axfood’s Code of Conduct).





Axfood’s suppliers

Axfood has some 1,500 suppliers around the world. Approximately 74% of these have companies registered in Sweden and account for roughly 85% of Axfood’s sales. But these Swedish-registered companies also sell products that are imported from various parts of the world. The map on page 28 shows examples of typical source countries for certain selected products.

Systematic mapping of risks

Mapping of risks in the supply chain is conducted in a number of different dimensions such as climate, water, child labour and union rights. More than 40 primary products have been mapped to date, and more will be added over time. Axfood has some 400 suppliers of its private label products, of which about 150 have

production in some 30 risk countries. These also include a large number of subcontractors that Axfood is continuously mapping in its effort to identify producers for which risks surrounding sustainability issues may be the greatest.

Sustainability requirements early in purchasing process

Axfood’s purchasing organization is being trained to create better conditions for purchasing decisions that integrate social and environmental dimensions in tendering processes. This is especially important for tenders for primary products from countries that are judged to have high sustainability risks. The underlying analysis is based on assessments performed by the World Bank and the BSCI (Business Social

Selection process



Step 1: Screening

The supplier must show how it is adhering to Axfood’s Code of Conduct in its production chain. Axfood acknowledges certifications, social audits (BSCI, SA8000, SEDEX, and others) and collective agreements. Collaborations with NGOs and unions are also acknowledged. Verifications are requested.



Step 2: Mapping

The supplier must report on the entire production chain as well as on where social and environmental risks may exist, and on what actions have been taken to mitigate these risks. The level of knowledge and measures are taken into account. The assessment ties back to Axfood’s own risk analyses.

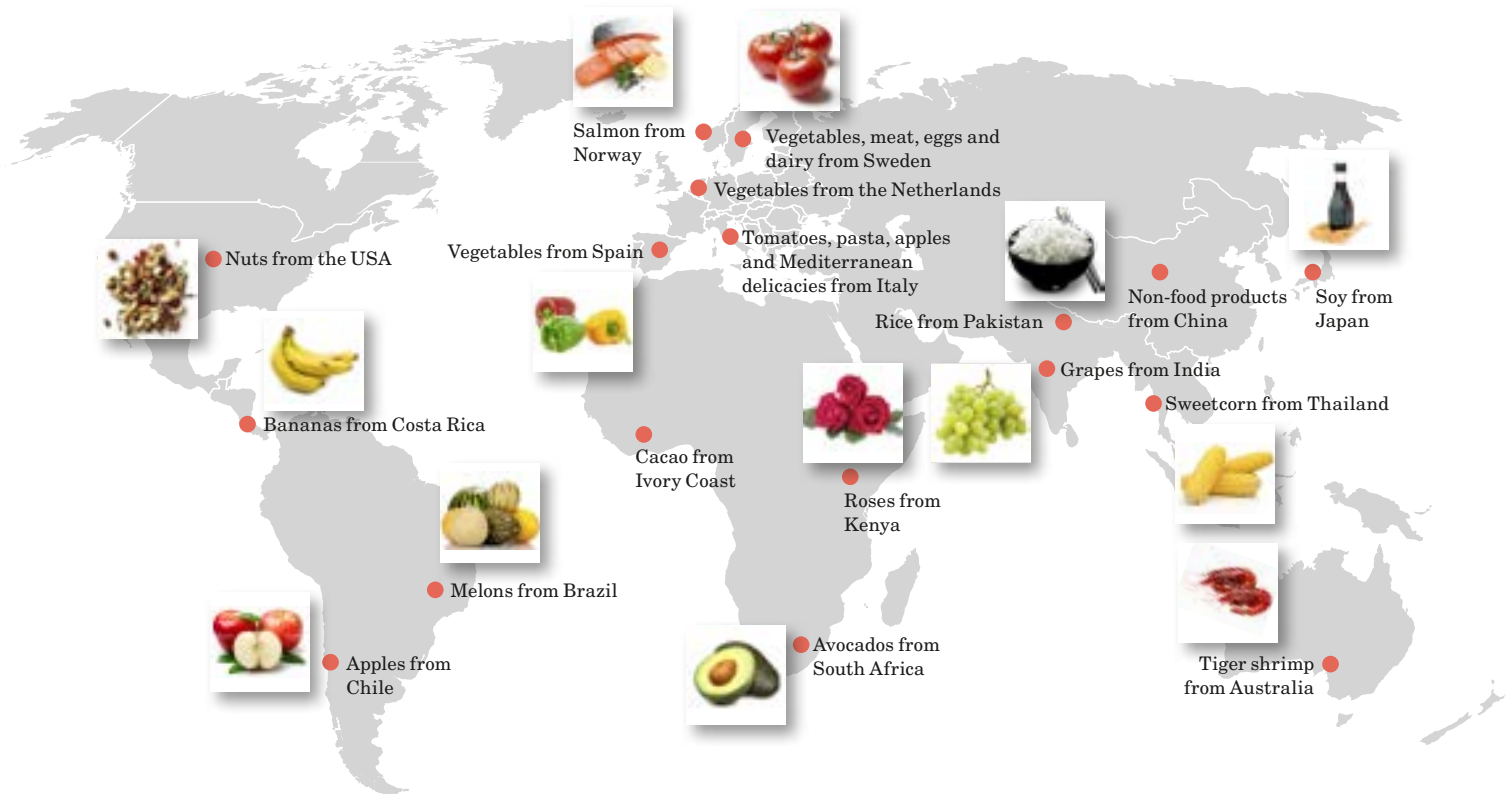


Step 3: Evaluation

A selection is made based on a sustainability assessment. Priority is given to suppliers with good sustainability work. Suppliers with defective controls are excluded from the purchasing process.



Countries of origin for some selected products



Priorities 2017

- Living wages and social dialogue in supply chain
- Water risks in supply chain
- Focus on migrant worker issues in Europe and Thailand

Compliance Initiative). Suppliers must show that they are conducting systematic work on adhering to Axfood’s Code of Conduct.

All new suppliers from countries with high sustainability risks are to be graded according to their level of risk and sustainability work, and must be approved by Axfood’s supplier control function. For purchases of private label products in risk countries or high-risk categories, supplier assessments based on sustainability aspects are now an early part of the selection process.

Existing suppliers are also analysed according to the new sustainability requirements, either on a regular basis or through reassessment of suppliers’ social and environmental responsibility prior to renewal of their contracts.

Social audits

Axfood’s Code of Conduct is the foundation for the Group’s work with suppliers and is to be implemented in all of the Group’s operations. The Code is based on recognized conventions for human rights, working conditions and the environment. Axfood is a member of BSCI, in which numerous companies are working together to

improve conditions in the value chain. Through BSCI, Axfood reports on its social audits in a joint database and can access results of other audits. A total of 54 (48) audits were performed in 2016.

Axfood’s decision to conduct a social audit of a particular supplier or producer is based on specific criteria that weigh in such factors as risk country and high-risk industry. Since 2015 most social audits are performed via BSCI.

The inspection is begun with a meeting with the supplier’s management on-site at the plant along with a review of Axfood’s and BSCI’s codes of conduct. Numerous documents are reviewed, such as time cards, payroll slips, and employment contracts.

The production facilities are inspected, and interviews are conducted with employees. At the end of the process, the inspectors discuss any deviations with the supplier’s company management, and an action plan is drawn up on how to remedy the deviations. Examples of measures can include a requirement that social security contributions be paid, that work hours be shortened, or that improvements be made to the work environment.

Employees

Practical perspectives create scope for development and diversity

During 2016 Axfood continued to analyse its operations in an effort to identify structures that enable various competencies and backgrounds to develop within the Company. The results of the year's employee survey are proof that this work, combined with the employees' drive, can make Axfood even better.

Promoting diversity through practical measures

One prerequisite for success with diversity work in an organization is that there is a culture and behaviours that are inclusive. But without practical conditions and structures that are inclusive, this work is without effect. Axfood is continuing its work on identifying and implementing practical conditions that create room for diversity. As an example, during the year salaried employees were given the opportunity to switch days with shortened working hours (normally a day before a holiday), after obtaining approval from their manager. Employees can thereby use these shortened work days for other holidays than the traditional Swedish ones. This gives Axfood the opportunity to offer greater flexibility to employees, who can choose themselves what suits them best.

Since previously Axfood has worked on giving employees with varying learning styles and dyslexia an opportunity to participate in the training offered by the Group on different terms. By offering tools that make texts more accessible, more employees are now finding a path forward in their career development.

On track towards goals

Axfood's employees are to reflect the diversity of customers and society in general. A good mix of competencies and perspectives leads to better results throughout operations. Twenty-one per cent (19) of Axfood's employees come from an international background. Axfood has a diversity target that calls for 20% of all managers to come from an international background by 2020. In 2016, 11% (12%) of managers came from an international background.

Equal opportunity part of work

Equal opportunity is a key part of Axfood's diversity work. Axfood's long-term goal is to achieve a balance between women and men in management positions within the range of 40%–60%. The share of women on the Executive Committee is 40% (36%). Among staffs and company management, 37% (34%) are women, and one in three store managers is a woman. The total share of women in management positions in 2016 was 32% (30%).

Every three years Axfood conducts a mapping of salaries within the Group to prevent unreasonable differences in pay and other terms of employment between men and women. Salaries and terms of employment are set in



In the Matkassen 2030 report Axfood urges politicians and decision-makers to adopt a national goal to cut food waste in half. Axfood is also challenging actors in the food retail sector to more actively inform customers about alternative ways to use food that is often wasted and to clearly inform customers about the difference between “best-before” and “use-by” dates.

Successful cooperation with Samhall

By continuing to develop its cooperation with Samhall, Axfood is strengthening and developing the Group's workplace culture. The interaction with Samhall employees is helping to counter preconceived notions and prejudices while increasing knowledge and understanding. During the year Axfood's agreement with Samhall was expanded, creating the opportunity for more Samhall employees to work at Axfood – primarily in cleaning – but also as hired-in store staff with the potential to become Axfood employees.

Starting in spring 2016, part of the cooperation with Samhall entails that Axfood provides training to the employees, which has opened opportunities for them to apply for jobs at Axfood or other retailers. To date 513 individuals have completed training at Samhall, and of them, 248 work for Axfood today. Thus far the e-learning courses on working in the various areas of the business attracted 324 trainees. Another 11 training occasions are planned for the first half of 2017. The courses have received high marks from the participants.



accordance with collective agreements. In 2016 a mapping of salaries was performed for the Group during the same period. No unreasonable differences were discovered.

Success for neutral recruitment mechanisms

During 2016 Axfood registered nearly 83,000 applicants for jobs advertised within the Group. This represents a doubling in the number of applications compared with a year ago. The proportion of men and women applicants was 41% and 59%, respectively. Axfood is moving toward a system in which applications go via the Group’s recruitment system and are handled by the employee support function, instead of allowing stores or warehouses to accept spontaneous applications on-site. This is making the recruitment process more neutral and more focused on competence and potential. Of total applicants in 2016, roughly 49% indicated that they have command of some other language than Swedish and English.

Inclusive environment for newcomers at stores

Axfood is working actively to include and give people opportunities to gain practical experience in the job market. This issue is valued highly by store managers, as a survey carried out during the year shows. At Willys and Hemköp, 90%–95% of stores offered internships during the year. More than half of the stores indicated that the internships led to employment. One in three stores have together offered nearly 200 internships for newcomers or asylum-seekers.

Axfood a participant in Jobbsprånget

For some time the Royal Swedish Academy of Engineering Sciences (IVA) has been conducting the Teknisksprånget (“Technology Leap”) initiative together with the business sector to create internships for young engineers. In 2016 Axfood joined a new initiative called Jobbsprånget (“Job Leap”), which is a third-party partnership between the Swedish Migration Agency, the Swedish Public Employment Agency and IVA. Through this initiative businesses offer internships in various areas to newcomers and adapt the internships to the newcomers’ varying competencies and backgrounds. As a first step, Axfood has offered internships in its HR department. To assist in this Axfood has drawn up a distinct competency profile and recruitment process.

Employee satisfaction scores – important validation

For Axfood it is important to be able to offer an attractive workplace. Axfood’s employer brand is growing steadily stronger, owing in part to internal mobility and the Company’s focus on diversity. Axfood’s employees are proud to work for Axfood. The Group’s sustainability work – like the recent initiative focusing on food waste – is helping to strengthen this sense of pride.

The 2016 employee survey had a full 98% response rate, with an Employee Satisfaction Index score that remained at a high and stable level of 92 for the entire Group. One area that contributed to employee satisfaction was follow-up and constructive performance reviews. This is welcome validation of the focus in recent years on implementation of performance

Medarbetare/Specialist

De arbetar på kontor och i butikerna med stora kollegor från de olika verksamheterna. De arbetar och har en god relation till kollegorna.

- Utbildning / utrustning**
 - Informatik (Excel)
 - CRM & SAP
 - MS Office
 - Microsoft Office
 - Goda språk kunskaper som engelska/svenska
 - Språk
 - MS Office
 - MS Office
- Utbildning / utrustning**
 - Informatik (Excel)
 - CRM & SAP
 - MS Office
 - Microsoft Office
 - Goda språk kunskaper som engelska/svenska
 - Språk
 - MS Office
 - MS Office

LEDER LEDARE

De har befogenheter för flera anställda och för att leda och styra verksamheten. De ansvarar för att verksamheten ska fungera och att kunderna är nöjda.

- Utbildning / utrustning**
 - Informatik (Excel)
 - CRM & SAP
 - MS Office
 - Microsoft Office
 - Goda språk kunskaper som engelska/svenska
 - Språk
 - MS Office
 - MS Office
- Utbildning / utrustning**
 - Informatik (Excel)
 - CRM & SAP
 - MS Office
 - Microsoft Office
 - Goda språk kunskaper som engelska/svenska
 - Språk
 - MS Office
 - MS Office

LEDER MEDARBETARE

De har befogenheter för anställda. De ansvarar för att verksamheten ska fungera och att kunderna är nöjda. De har goda kunskaper i att leda och styra verksamheten.

- Utbildning / utrustning**
 - Informatik (Excel)
 - CRM & SAP
 - MS Office
 - Microsoft Office
 - Goda språk kunskaper som engelska/svenska
 - Språk
 - MS Office
 - MS Office
- Utbildning / utrustning**
 - Informatik (Excel)
 - CRM & SAP
 - MS Office
 - Microsoft Office
 - Goda språk kunskaper som engelska/svenska
 - Språk
 - MS Office
 - MS Office

LÅT OSS VÄXA TILLSAMMANS!

För oss är det viktigt att du får utvecklas genom att lära nytt. Det kan du bland annat göra genom någon av utbildningarna på Axfoodakademin.

När du har ökat dina kunskaper på jobbet genom exempelvis utbildningar, nya arbetsuppsättningar, deltagande i projekt eller arbete som internt ledare. Om du växer, växer vi som företag. Om du utvecklas, utvecklas vi också.

axfood



In the Matkassen 2030 report Axfood highlights that Swedish value-added in the environmental area and animal welfare are strong competitive advantages for Swedish food production.

reviews in stores. The implementation rate of performance reviews is measured in connection with the employee survey and showed a level of 73% in 2016, compared with 65% in 2014.

Most companies in the Group have noted a positive trend regarding their reputation as an attractive employer.

Developing with us and through us

Employees can grow and develop with Axfood, and those interested are encouraged to explore new opportunities within the Group. Toward this end Axfood offers training in many different areas – from product- and operations-specific training to leadership. Through internal channels employees can take part in the opportunities offered by Axfood – at stores, warehouses, or offices. During the year career development placards (see example in inset) were posted at all workplaces as a simple and clear way of conveying to employees without own work computers the opportunities that exist for continuing education and other forms of development. The material is used as support in performance reviews and the individual action plans that managers and employees formulate together, whether it concerns a course in the Axfood Academy, job rotation or an expansion into new areas of responsibility.

Young at Axfood – experience for life

Being young and gaining work experience can be a challenge. Talented and committed people are needed in the retail sector, and Axfood offers an abundance of instructive and dynamic workplaces. Within the framework of the Ung i Axfood (“Young at Axfood”) youth trainee programme we offer one-year career training positions at any of the Group’s Willys or Hemköp stores throughout Sweden. Every month entails a new assignment in one of the store’s different departments, and every trainee has a supervisor during the course of the programme.

The trainee spots are paid full-time positions, but 25% of their time is spent in training – the rest of the time they are out in the stores. This can be a first step into a career role and gives young talents a chance to see what opportunities exist within the Group. The training courses are conducted online under the direction of Handels Yrkesnämnd (a retail trade career foundation) and the Axfood Academy.

Countering societal trend of ill-health

Axfood is working to prevent ill-health and increase the work attendance rate, which was 94% (94%) in 2016. In recent years Axfood has seen a trend in sickness-related absenteeism that reflects the general trend in society. To break this trend, focus is being strengthened on this societal problem through active participation in a programme called Omtag Hälsa (“Health Reboot”). During the year Axfood’s health work resulted in a central procurement of company health services and rehab training for all managers. The aim is to be able to offer all employees in the Group the same access to healthcare and to create a clearer work process and better tools for managers. Leadership has a major impact on health work. The goal is to make it easier for managers to act early on signs of ill-health among employees.

Axfood’s work environment and health work are integrated as a natural part of operations and are conducted in cooperation between employers, employees and the unions. Axfood prioritizes constructive health initiatives, diversity and safe work environments. Work environment activities are planned and organized in such a way that they are a natural part of the daily operations.

The Group has a work environment team with representatives from the central union Group team, the wholesale and retail operations, and the Group staffs. All operations have an occupational safety ombudsman.

Training 2016

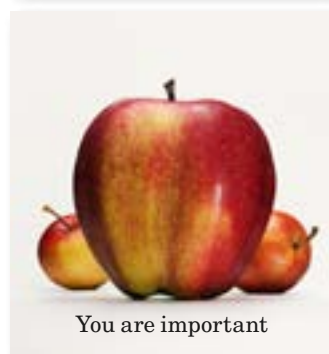
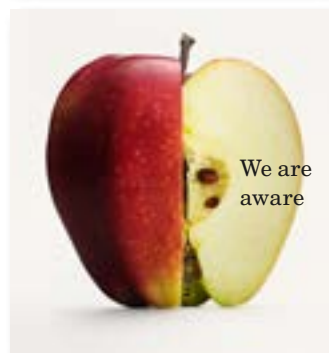


1,662 employees spent 3,521 days in training on 128 training occasions



34,227 e-learning courses were completed by 5,927 employees

AXFOOD'S CORE VALUES



Core values serve as foundation

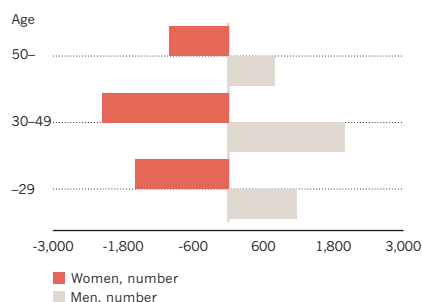
Axfood has five core values that serve as a foundation for employee behaviours and guide them in their actions. The core values aim to facilitate employees in their decision-making and in setting priorities. Through knowledge-sharing, training and dialogue within the Group, Axfood's core values serve as a dynamic tool in the organization and as inspiration and guiding principles for decisions and action. The core values serve as the foundation for Axfood's leadership and active employeeship.

Whistleblower function provides symbolic value

Axfood promotes an open culture in which employees are not afraid to discuss challenges with an open mind. In 2016 a whistleblower system was introduced for the types of matters that employees are hesitant to bring up via the ordinary channels. These include serious improprieties such as corruption or bribes, and violation of competition rules or other laws. They also include environmental violations or discrimination. The opportunity to report such

events is an important indication that Axfood takes violations and unethical behaviour seriously, and employees can report anonymously through an external party. Reported cases are handled by a whistleblower committee of four persons who are appointed by the Group CEO.

Age structure, permanent employees



Employee statistics

	2016	2015	2014	2013	2012
Work attendance rate, total, %	93.9	94.0	94.6	94.8	95.0
Retail, %	93.9	94.1	94.8	94.9	95.1
Wholesale, %	92.3	92.8	93.4	93.7	93.9
Staffs, %	96.4	95.9	96.4	96.7	98.7
Employee turnover rate, %	13.8	10.4	12.7	8.9	9.1
Men/women, %	12.2/14.8	9.5/11.2	12.2/13.0	8.0/9.6	8.7/9.4
Age category -29, %	21	15.7	16.5	12.7	13.0
Age category 30-49, %	8.9	6.9	10.1	6.7	6.7
Age category 50-, %	10.7	9.5	12.9	8.7	8.9
Average service time, years	9.5	9.8	10.3	9.8	10.5
Total number of permanent employees ¹⁾	8,733	9,362	8,561	8,402	8,125
Number of full-time employees	4,439	4,637	4,422	4,386	4,367
Number of part-time employees	4,294	4,725	4,139	4,016	3,758
Average number of employees ²⁾	9,211	8,803	8,481	8,285	8,021
Number of men	4,223	4,008	3,913	3,837	3,341
Number of women	4,988	4,795	4,568	4,448	3,913
Number of training days	3,521	3,464	4,506	4,300	5,000

¹⁾ All employees are covered by collective agreements.
²⁾ Based on 1,920 working hours per year.

Corporate social responsibility and influence

Positive force in society – not least in sustainability

Axfood's operations affect and intersect with many different actors in society every day. This generates knowledge and insight into a number of issues in which Axfood can make a difference through its voice or within the framework of its day-to-day activities. By identifying needs in society Axfood is also identifying areas for innovation and development that can inspire others.

Matkassen 2030 – a food strategy for Sweden

The food industry has long advocated for stable and predictable business-policy playing rules. During the 2016 Almedal Week public policy forum Axfood presented its Matkassen 2030 report – the Group's recommendations for Sweden's food strategy – to provide a business perspective to what is needed in Sweden going forward. The report sets forth 79 concrete suggestions for more sustainable food consumption. The suggestions concern, among other things, focusing on Swedish value-added and involve undertakings for business as well as for politicians and authorities. More information about the Matkassen 2030 report is provided on pages 4–5. A number of the report's recommendations are also summarised in boxes throughout this report.

In early 2017 the Swedish government presented a national food strategy that applies until 2030. Many of the topics covered in Matkassen 2030 are also addressed in the government's food strategy, including food waste, productivity, the importance of processing and innovation, and protecting Swedish farmland. However, Axfood sees a lack of clarity in the government's strategy about the importance of upholding Swedish value-added and its importance for competitiveness. Nor does the strategy include any concrete economic mechanisms. In order for the food strategy to be implemented in practice it is crucial that a concrete plan of action is drawn up along with controls of its implementation.

Going forward Axfood will actively call on the government in an effort to advocate for the views of the business sector in the formulation of the action plan.

During the year Axfood, together with Axfoundation, visited members of Swedish government with a plea for politicians to take a harder stance on the antibiotics issue within the EU. With the support of its food strategy the government will now drive the issue at the EU level in an effort to address the excessive use of antibiotics in animal husbandry, which is one of the biggest public health challenges of our time.

New hope for the future for countryside stores – as local meeting places

Axfood has consciously driven the issue of rural development and continues to promote the food retail sector in sparsely populated areas through Axfood Närlivs. During the past ten years one in four stores in the Swedish countryside has disappeared, and with this other local services have also disappeared, such as package and pharmacy pick-up services, which presents a major challenge to small communities in the countryside. Together with independent retailers, who account for a large share of grocery stores in rural areas of Sweden, Axfood has made a plea to the government for a plan on how the conditions for these stores can be improved.

In 2016 a state rural development subsidy was created which is helping to create better conditions for growth and jobs, but also ensure accessibility and services at countryside stores. Of the stores that have received rural development subsidies at year-end, more than half were customers of Axfood Närlivs.

Solar energy tax under the microscope

On 1 July a new tax on solar energy was instituted. The tax entailed that electricity generated from solar panels on a building was to be taxed even though the electricity was used by the same building. This law risked counteracting the parliament's goals for renewable energy and, over time, for a fossil-free Sweden. It also inhibited private investment in solar panel systems, and due to the how the tax rules were formulated, skewed competition.

After Axfood had engaged the European Commission in a dialogue, which clarified that the tax was not motivated by the EU's state support rules, the Swedish government changed its stance regarding this policy. The government then decided to provide a tax incentive for the solar energy tax and announced an overhaul with the goal that companies like Axfood that use solar energy only for their own operations would instead be exempted from any solar energy tax. Moreover, the government increased the investment subsidy by a factor of eight for solar panels during the three-year period.



In the Matkassen 2030 report Axfood urges politicians and authorities to support sustainable development through taxes and fees that do not merely go into the state's coffers, but that also reward sustainable solutions and choices. The report urges politicians to engage in effective and long-term cooperation with the business sector to promote the form of innovation and social structure that is needed to enable more sustainable foods in the future.

Be waste-smart for the environment.
Read more on p. 22



Priorities 2017

- Influence action plan for Sweden’s national food strategy
- Advocate for regulations against the excessive use of antibiotics
- Promote the expanded use of solar panel systems
- Rural development
- Advocate for truly sustainable recycling of plastics

Matmissionen – a store that does good.
Read more on p. 21



Axfood thereby resumed its expansion of solar panel systems on warehouse and store rooftops.

Call for responsible use of antibiotics

There is a strong connection between the use of antibiotics in society and effective care. Without effective medicines, certain infections can be difficult to treat – and even life-threatening.

In EU meat production large amounts of antibiotics are used. In fact, more antibiotics are administered in healthy animals than to treat human infections. Part of the reason is that animals are often treated group-wise when individual animals become ill. Finland and Sweden are the exceptions in the EU, where the use of antibiotics is considerably more restrictive owing to initiatives by both farmers and veterinarians.

Since the same antibiotics are used in animal husbandry as for human health, the risk for antibiotic resistance has risen, whereby the antibiotics lose their effect. Axfood is working together with Axfoundation to combat the threat posed by antibiotics to public health by raising awareness throughout the industry about the threat and about what measures food retailers and producers can take. For example, during the year Axfood and Axfoundation arranged an antibiotic seminar in the EU parliament.

Age limit for alcoholic ice cream

Through its stores and their daily interactions Axfood has the opportunity to quickly see new consumption patterns and identify risk consumption. The alcoholic ice cream products that were launched on the market during the year caught the attention of young customers and are an example of how Axfood acted upon an area of risk consumption. The laws governing frozen products do not cover alcohol, and thus alcoholic ice cream was not covered by the age

limits, taxes or marketing restrictions that otherwise apply for alcoholic beverages. Axfood and other actors in the Svensk Dagligvaruhandel retail trade organization approached the Public Health Agency of Sweden and adopted a voluntary age restriction for the products. Axfood subsequently opted to refrain entirely from selling alcoholic ice cream products.

To create clarity in the rules for these new products, Axfood and its industry colleagues informed the Minister for Public Health about the need to close a clear legal loophole. After receiving warning signs from food retailers, the Minister announced in September that alcoholic ice cream will become regulated.

SOS Children’s Villages and Save the Children

Through Willys’ and Hemköp’s bottle and can deposit machines, customers can donate their deposits to SOS Children’s Villages and Save the Children. On top of customers’ donations, in December Willys doubled this amount with a matching donation. In total Willys and Hemköp donated more than SEK 5.7 m to these relief organizations during the year.

In 2015 Hemköp began working in a three-year project together with SOS Children’s Villages and Stockholms Stadsmission, which is providing support to EU migrants of Romanian descent. The aim of project is to help parents and their children reunite in Romania, with the goal of finding a transnational model for helping and empowering this exploited group of people so that parents can stay with their children in Romania.

Industry-wide agreement on plastic bags

Sweden’s plastic recycling system is facing a challenge posed by the fact that many plastic packages are not 100% recyclable. Axfood has driven

Hope for the future in Norråker

In the town of Norråker, in the northern reaches of Sweden’s Jämtland province, Ida Collin runs a combined general store and country inn. For her, the state rural development subsidy – as much as SEK 300,000 – is making an enormous difference. It has created the opportunity to hire staff, invest in expansion of the business, adapt the store’s accessibility for disabled patrons, and offer more services, such as a pharmacy pick-up outlet, home delivery of groceries, and taxi services to and from the store.

How important is this for your store, and why?

“It is extremely important for us to be able to make these necessary investments. For example, our refrigerant system will be phased out in a few years, and we will have to replace it. The support will also lead to greater sales and is instrumental in getting us to dare to test new ideas. We can try a new product category to see if it will sell, or try new ideas to see if they work. If they don’t we have a buffer now. Plus, it is very important for our self-esteem – now we know



that people believe in us and want to invest in our survival. This support will mean a lot for our store!”

an initiative together with FTI, Sweden's nation-wide recycling system, to differentiate the fees for various types of packaging. Axfood believes that plastic packaging that is 100% recyclable should have lower fees.

In addition, Axfood has been a driver in the industry behind eliminating the use of petroleum-based plastic bags. During the year an industry-wide agreement was reached with all of the major food retail companies to change over to plastic bags made of bioplastics or renewable plastics. The goal is to entirely eliminate the use of fossil-based bags in the food retail industry by engaging all the support of all members of the Swedish Trade Federation.

Collaboration and transparency

In order for Axfood to be a positive force in society it is important to advocate for issues that affect its operations. As a first step, Axfood takes a position and acts itself where possible. If consensus is needed or if its own actions could have a wider effect with the participation of more actors, Axfood involves industry colleagues or trade organizations. Axfood believes it is important to then inform and engage politicians and decision-makers in a dialogue.

For matters concerning competitive neutrality or shared interests in business policy matters, both nationally and at the EU level, Axfood often works through the retail trade organization Svensk Dagligvaruhandel.

For Axfood, transparency is a responsibility issue that involves informing consumers in stores about how they can make sustainable choices as well as enabling them to monitor Axfood's work via its website, and giving stakeholders an opportunity to share their views on Axfood's operations and sustainability work.

Dialogue is a way of informing stakeholders, but also of soliciting their views and building a platform for strategic development of sustainability work. The span of dialogues varies from informal contacts to direct collaborations and covers a range of organizations in the area of sustainability, including the Swedish Society for Nature Conservation, WWF, Greenpeace, Fair Action, Animal Welfare Sweden, Animal Rights Sweden and Diversity Charter. In addition, Axfood has a cooperation agreement with WWF on seafood issues.

The Haga Initiative is a business network for learning and opinion-shaping. Axfood is a co-founder of the network, which through its members is working to reduce carbon emissions and highlight the climate issue through ambitious strategies for curbing climate change.

CSR Sweden and the Network for Sustainable Business are another two network organizations that Axfood is engaged in. Axfood also participates in the "Sustainable Grocery Store Chain" initiative, which is coordinated by WWF, and the organization Organic Sweden, which promotes the consumption and export of organic products.



The store as integration platform

Axfood's many stores offer job opportunities even for newcomers who do not yet have a perfect command of the Swedish language. Axfood has developed various types of language support to enable prospective employees to get a foot in the door and gain practical in-store experience. Axfood also offers a multitude of opportunities for continuing education and development. The key is in matching individuals who identify with Axfood's core values and have an interest in food retail and store operations with the many opportunities within the Group. Axfood's stores also create opportunities to meet and interact with customers and colleagues on a daily basis, which contributes to faster language learning. At Axfood's various chains there are countless good examples of matching where individuals have chosen to lock arms and develop with Axfood.

In 2016 Axfood invited representatives from all of Sweden's political parties to visit our various operations and see how we are working with integration. At Hemköp's Torsplan store, for example, they got the chance to meet Driton Jusufi, fruits and vegetables manager. Driton came to Sweden in 2000, and after only a half-year he was hired and put in charge of a store department. Hemköp's Torsplan store is also the home base for Mahmoud Gholam, a trained bakery chef from Iraq who today is in charge of the store's bakery department.

Organization and governance of sustainability work

Axfood's sustainability work is an integral part of the Company's business model and governance. This work rests upon a foundation of Axfood's core values and Code of Conduct as well as the Company's sustainability programme.

Axfood works with sustainability matters in a business-driven manner and integrates them in all aspects of operations. Conducting preventive work to the greatest extent possible and adhering to the precautionary principle are fundamental aspects in this work.

Responsibility for overarching strategies, goals and actions, and follow-up rests with the Executive Committee and Head of Sustainability. To ensure that this work is conducted in an integrated fashion, the individual companies and divisions within the Axfood Group have operational responsibility for their own sustainability work. The persons with operational responsibility are the respective companies' presidents or divisional managers.

Sustainability coordinators, who propose goals and activities as well as make sure that these are conducted, have been appointed in all companies (Willys, Hemköp, Axfood Närlivs, Axfood Snabbgross and Dagab) and all major departments (quality, purchasing, IT and HR). This work is coordinated by the Head of Sustainability and is conducted through active dialogue, ad hoc meetings with parts of the network based on specific topic areas, and through a strategic review at least once a year. In addition, all Willys and Axfood Snabbgross stores

have their own environmental ambassadors, who assist their respective organizations in achieving goals.

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 programme

Axfood's sustainability programme is an important governance tool for the Group's work and constitutes the Group's sustainability policy. The programme describes the goals that have been set and includes a set of key ratios for monitoring in the areas of sustainable products, transports, energy and use of premises, responsible suppliers, employees, and animal welfare. The targets are monitored yearly, and every year the programme is updated in pace with continuing work and the formulation of new targets.

Code of Conduct, policies and guidelines

Axfood is to conduct its business in accordance with generally accepted business practice and high ethical standards in all of the Group's relationships with stakeholders. The Axfood Group Code of Conduct serves as a foundation for all



activities and lays out the requirements and expectations that Axfood has on its employees, suppliers and business partners. The Code is based on recognized conventions for human rights, working conditions and the environment.

Pertinent employees – mainly buyers – receive detailed training in what the Code of Conduct requires of a person in charge of quality. All employees are informed about the Code through e-learning.

Suppliers certify in writing that they will adhere to Axfood’s Code of Conduct in connection with purchases, or alternatively, Axfood accepts the supplier’s code of conduct. Buyers are responsible for ensuring that suppliers adhere to the Code of Conduct, while the quality assurance department supports and oversees this work.

Axfood’s Code of Conduct is accessible on axfood.se in Swedish and English versions, however, the content can also be conveyed to suppliers in other languages, such as Chinese, Russian and Spanish.

Additional Group-wide guidelines and policies include:

- ethical guidelines on the offering and accepting of bribes, and corruption
- the employee manual
- the environmental policy
- the purchasing policy
- the work environment and health policy

At the time of their hiring, all newly hired salaried employees certify in writing that they have acknowledged Axfood’s ethical guidelines. The ethical guidelines are updated every year

and are also to be signed by employees in the Group who have the right to authorize payments or who in some other way can influence purchasing decisions for products or services.

The ethical guidelines are an extensive document that describes various situations and activities, and how employees are to deal with them. They also include legal references and definitions. By signing them the employees personally certify that they will comply with the rules they lay out. The employee’s immediate supervisor and the companies’ respective HR departments are responsible for answering questions or explaining matters that may be unclear.

In 2016, 905 (1,010) employees signed under the guidelines.



















In 2016 a whistleblower system was instituted within the Axfood Group. A few issues reported in 2016 resulted in action being taken, and an action plan has been drawn up for all of these cases. During the year Axfood did not obtain knowledge about any attempts at bribery among employees or about suspected cases of corruption.



Targets and target achievement in sustainability programme





























The table below outlines the short- and long-term targets that have been set in Axfood's sustainability programme. With only a few exceptions, all of Axfood's targets have couplings to Sweden's environmental objectives and the UN's development goals. All of the Swedish environmental targets are reflected in

● Achieved ● In progress ● Target not achieved


Target	Coupling to Sweden's environmental objectives	Coupling to the UN's development goals	Results 2016	Status
Sustainable products – Axfood & Dagab				
By 2020 at the latest, Axfood's store chains will sell only green-listed seafood products.	 8. Flourishing lakes and streams 10. A balanced marine environment, flourishing coastal areas and archipelagos	 14. Life below water		●
Axfood and Axfood's store chains will work actively to highlight good sustainability choices.	 1. Reduced climate impact	 12. Responsible consumption and production		●
By 2022 at the latest, the requirements that Axfood has today for Integrated Production (IP), Global GAP or other equivalent system for fruits and vegetables will also be met for its private label products that contain primary vegetable ingredients.	 1. Reduced climate impact 4. A non-toxic environment 13. A varied agricultural landscape	 2. Zero hunger		●
By 2020 at the latest, Axfood's private label products (Garant, Garant Ekologiska varor and Eldorado) will include information about the primary ingredients' country of origin in all categories with certain exceptions, such as composites without a clear primary ingredient.	 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
In 2016 Dagab will have formulated expanded requirements for which pesticides are permitted in the fruits and vegetables category in countries outside the EU, which all suppliers must meet by 2020 at the latest.	 1. Reduced climate impact 4. A non-toxic environment 13. A varied agricultural landscape	 12. Responsible consumption and production		●
Dagab will avoid chemical compounds included on the SIN list in products and packaging (e.g., Bisphenol). The goal shall be achieved by 2022.	 4. A non-toxic environment	 12. Responsible consumption and production		●
Since 2009 all palm oil included in private label products has been compensated for via certificates. This compensation will be gradually changed over to the use of certified palm oil. • In 2016 100% of the palm oil used in Garant and Fixa private label products shall be certified. • For the Eldorado private label, all palm oil shall be certified by 2017 at the latest.	 1. Reduced climate impact 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
By 2020, suppliers of private label products will use only certified palm oil or, alternatively, compensate for use through certificates.	 1. Reduced climate impact 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
By 2020, suppliers of private label products will use only certified palm oil or, alternatively, compensate for use through certificates.	 1. Reduced climate impact 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
All primary ingredients in the Garant and Eldorado assortments with major social risks (such as cacao, tea and coffee) will be certified according to some form of sustainability certification (Fairtrade, Rainforest Alliance or UTZ) by 2017 at the latest.		 2. Zero hunger		●

Axfood’s sustainability programme. While most of the UN’s development goals are relevant for Axfood, “Responsible consumption and production” and “Climate action” are the two most important. The sustainability targets are monitored yearly, either through key ratios or by checking on the progress of the work.

● Achieved ● In progress ● Target not achieved

Target	Coupling to Sweden’s environmental objectives	Coupling to the UN’s development goals	Results 2016	Status
By 2016 at the latest, all conventional bananas will be covered by some sort of sustainability certification, except for in cases of shortages.		 2. Zero hunger		●
By 2020 Axfood’s private label products will have sustainability certifications (Fairtrade, Rainforest Alliance or UTZ) for at least three additional risk products (e.g., nuts, sugar, spices) This target applies primarily for products sold under the Garant private label.		 2. Zero hunger		●
Axfood will strive to have environmentally adapted packaging for all of its private label products (such as FSC-labelled paper, tin cans only in exceptional cases, and only material that works in the recycling system). Packages and products that are difficult to recycle will be avoided.	  1. Reduced climate impact 12. Sustainable forests	 12. Responsible consumption and production		●
Axfood’s companies will reduce the share of combustible residual products in relation to sales.	 1. Reduced climate impact	 13. Climate action	Willys: -6% pts Axfood Snabbgross: -6% pts	●
Sustainable products – Willys				
Willys will continue to offer the cheapest bag of organic groceries.	   1. Reduced climate impact 4. A non-toxic environment 13. A varied agricultural landscape	 12. Responsible consumption and production		●
In 2016 Willys will increase its share of organic food sales to 6.5%.	   1. Reduced climate impact 4. A non-toxic environment 13. A varied agricultural landscape	 12. Responsible consumption and production	6.0%	●
In 2016 Willys Hemma will increase its share of organic food sales to 7.5%.	   1. Reduced climate impact 4. A non-toxic environment 13. A varied agricultural landscape	 12. Responsible consumption and production	7.5%	●
Willys will strive to dramatically reduce food waste in stores and has the ambition to make improvements from year to year.	 1. Reduced climate impact	 12. Responsible consumption and production		●
Sustainable products – Hemköp				
By 2020 Hemköp will increase its share of organic food sales to 15%.	   1. Reduced climate impact 4. A non-toxic environment 13. A varied agricultural landscape	 12. Responsible consumption and production	9.3%	●
Hemköp’s retailer-owned stores will adhere to sustainability decisions like the Group-owned stores.	 1. Reduced climate impact	 12. Responsible consumption and production		●
By 2017 at the latest Hemköp will phase out petroleum-based plastics from its central assortment of shopping bags, also in retailer-owned stores.	 1. Reduced climate impact	  12. Responsible consumption and production 13. Climate action		●

● Achieved ● In progress ● Target not achieved

Target	Coupling to Sweden's environmental objectives	Coupling to the UN's development goals	Results 2016	Status
Sustainable products – Axfood Närlivs				
By 2020 Tempo will increase its share of organic food sales to 6%.	 1. Reduced climate impact 4. A non-toxic environment 13. A varied agricultural landscape	 12. Responsible consumption and production	4,3%	●
Animal welfare				
Private label organic meat and charcuterie products will be certified primarily according to KRAV, and secondarily to the EU organic certification.	 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
Axfood's private label products (Garant, Garant Ekologiska varor and Eldorado) will include information on the country of origin of the primary meat ingredient.	 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
For imported private label meat products, introduction of a requirement for animal welfare certification or equivalent will begin by 2016 at the latest.	 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
By 2025 at the latest, all suppliers of private label products will meet the requirement for animal welfare certification or equivalent. At least 70% will meet this requirement by 2020 at the latest.	 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
Meat from pigs that are castrated without anaesthetics will be discontinued from Garant products by 2016 at the latest. For the other private label assortment, including Eldorado, by 2018 at the latest.	 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
By 2020 Dagab will use only suppliers of private label products that work actively for reduced use of antibiotics according to specific criteria. By 2020 at the latest, this requirement will also be communicated to suppliers of brand-name products.	 16. A rich diversity of plant and animal life	 12. Responsible consumption and production		●
By 2020 at the latest, Hemköp's sales of organic meat will amount to 15% of total meat sales.	 1. Reduced climate impact 4. A non-toxic environment 13. A varied agricultural landscape	 12. Responsible consumption and production	6,8%	●
Use of energy and premises				
The Axfood Group will reduce the climate impact of its own operations by 75% by 2020 and be climate-neutral (base year 2009).	 1. Reduced climate impact	 13. Climate action		●
The Axfood Group will reduce its energy consumption by 15% per square metre by the end of 2020 (base year 2015).	 1. Reduced climate impact	 13. Climate action		●
For investments in store refrigeration systems, climate-friendly refrigerants will be used.	 1. Reduced climate impact	 13. Climate action		●
The Axfood Group will use ecolabelled office machines (computers, printers and copying machines) when such alternatives exist.	 1. Reduced climate impact	 13. Climate action		●
Dagab will begin measuring CO ₂ emissions also from subcontracted transports from warehouses to stores.	 1. Reduced climate impact	 13. Climate action		●
By 2020 at the latest, Dagab will reduce its electricity consumption in relation to sales by 15% (base year 2015).	 1. Reduced climate impact	 13. Climate action		●
Transports				
Dagab will reduce CO ₂ emissions from its delivery fleet by 20% by 2020 (base year 2015).	 1. Reduced climate impact	 13. Climate action	-49%	●
The Axfood Group will reduce the number of business trips by air by 15% by 2018 at the latest (base year 2015).	 1. Reduced climate impact	 13. Climate action		●
All company cars will be environmental-classed.	 1. Reduced climate impact	 13. Climate action		●
Employees will conduct more travel-free meetings by: - increasing the use of teleconferences by 5% compared with 2015 - increasing the use of web conferences by 8% compared with 2015	 1. Reduced climate impact	 13. Climate action	+78% conference calls and video conferences	●

● Achieved ● In progress ● Target not achieved

Target	Coupling to Sweden's environmental objectives	Coupling to the UN's development goals	Results 2016	Status
Suppliers				
By 2016 at the latest, Dagab will adopt a strategy for ensuring living wages for workers in the supply chain.		 1. Zero poverty		●
By 2030, eradicate poverty as far as possible in Axfood's supply chain for its private label products by ensuring that the people who work in manufacturing and farming earn more than the UN's poverty level.		 1. Zero poverty		●
By 2020 at the latest, the strategy for living wages will lead to Axfood being able to monitor the progress on living wages. The strategy applies primarily for purchases of primary products for Axfood's private label products.		 1. Zero poverty		●
By 2020 at the latest, all relevant suppliers of private label products and their subcontractors will be included in an accredited social follow-up system (BSCI, Fair for Life, SEDEX or similar) or, alternatively, be parties to collective agreements with recognized union organizations.		 8. Decent work and economic growth		●
By 2020 at the latest, Axfood's initiatives in identified risk products will have improved both social and environmental conditions in three source markets.		 17. Partnerships for the goals		●
By 2020 at the latest, all suppliers of private label products will report annually on their climate measures.	 1. Reduced climate impact	 13. Climate action		●
By 2020 at the latest, Axfood will have methods for evaluating how suppliers in regions with water shortages are reducing their water use.	 3. Natural acidification only 7. Zero eutrophication	 6. Clean water and sanitation		●
For all purchasing of private label products in risk countries/risk categories, the selection process for suppliers will include sustainability aspects.		 8. Decent work and economic growth		●
By 2020 at the latest, Axfood will have integrated enhanced sustainability criteria for e.g., water and for the chemical and climate impact of products in the tendering process.	 1. Reduced climate impact	 12. Responsible consumption and production		●
By 2016 at the latest, Dagab will identify purchasing markets for private label products with an elevated corruption risk and address this with a specific programme.		 16. Peace, justice and strong institutions		●
In 2017 Axfood will begin implementation of a whistleblower system among retailers and suppliers.		 16. Peace, justice and strong institutions		●
Employees				
By 2020 at the latest, 20% of Axfood's senior executives will come from an international background.		 16. Peace, justice and strong institutions	11%	●
A minimum of 75% of Axfood's managers will be recruited internally, and a minimum of 10% will be recruited externally.				●
Have a high work attendance rate of at least 95%.			94%	●
Maintain an Employee Satisfaction Index score of at least 90.			92	●
Achieve an even gender balance among Axfood's senior executives, i.e., that men and women will be represented within a range of 40%-60% by 2020.		 5. Gender equality	32% women	●
All employees will have completed basic environmental training.				●
By 2017 at the latest, all pertinent employees will have completed an activity coupled to Axfood's ethical guidelines, with focus on corruption.		 16. Peace, justice and strong institutions		●
No employees will feel that they have been discriminated against at work.		 16. Peace, justice and strong institutions		n.a.

Our stakeholders and key issues



In the Matkassen 2030 report Axfood urges politicians and authorities to facilitate development for local entrepreneurs, such as through better access to education in food preparation and processing as well as in marketing. A good example of such is Eldrimner (the National Resource Centre for Food Crafts), which provides knowledge, support and inspiration for food craftsmen throughout Sweden.

Read more about the materiality analysis on pp. 44–45



Every day Axfood interacts with thousands of stakeholders around Sweden and the entire world. The issues that are perceived by these stakeholders as being the most important, together with the knowledge of Axfood’s employees, provide guidance to Axfood in its sustainability work.

Through an open dialogue in which Axfood is receptive to the surrounding world’s expectations and our stakeholders’ needs, we can continue to develop our operations in the desired direction. Such a dialogue is a prerequisite for achieving our ambition to be a leader in sustainability and dare be a forerunner with respect to new technical solutions and ways of working.

Axfood’s most important stakeholders are the groups of people who are affected most by and/or affect the Company’s operations: customers, employees, owners, suppliers and society at large.

Assortment and consumer responsibility most important issues

During 2015 Axfood conducted a structured stakeholder dialogue to ensure that Axfood’s

priorities in its sustainability work are aligned with stakeholders’ expectations. Axfood’s stakeholders are largely in agreement about attaching greater value to knowing that the products that are sold in stores are of high quality, with minimal use of pesticides and chemicals. They also want assurances that the animal-based products they buy have been produced with care for the animals. It is important that producers offer a good work environment and decent working conditions. While this applies at the supplier level, work environment and health are also significant factors in stores.

In addition, handling of food in stores with as little food waste as possible is a central issue. Good business ethics and integrity with respect to risks for corruption – not least in the purchasing operations – is another important issue for stakeholders.

Stakeholder overview

Stakeholders	Channels for dialogue	Important issues
 <p>Customers</p> <p>Axfood strives to offer its customers a wide range of environmentally adapted, healthy and safe products at competitive prices.</p> <p><i>Read more about customers' growing interest in environmental and health issues, along with some of the initiatives that Axfood took during the year, on pages 15–17.</i></p>	<ul style="list-style-type: none"> • Consumer contact • Focus groups • Annual consumer survey together with Nepa. The 2016 survey had 4,615 respondents (4,884) • Leaflets, customer magazines, information on websites • Social media 	<ul style="list-style-type: none"> • Use of pesticides and chemicals • Animal welfare • Anti-corruption and bribery • Work environment, working conditions and health • Certification of critical food ingredients • Country of origin and trace-ability
 <p>Employees</p> <p>Axfood wants proud and committed employees, and to be a collaborative and effective organization.</p> <p><i>Read more about Axfood's active work with its employees on pages 29–32.</i></p>	<ul style="list-style-type: none"> • Daily status meetings and interaction • Employee get-togethers and conferences • Training • Internal surveys in specific areas (2016: internships) • Bi-yearly employee survey, including Customer Satisfaction Index (CSI) and Net Promoter Score (NPS) • Annual performance reviews 	<ul style="list-style-type: none"> • Work environment, working conditions and health • Organic food • Attract and develop employees • Use of pesticides and chemicals • Anti-corruption and bribery
 <p>Suppliers</p> <p>By making demands and engaging in dialogue, Axfood strives to raise the level of its suppliers' sustainability work.</p> <p><i>Read more about Axfood's continuously ongoing dialogue with suppliers on pages 24–28.</i></p>	<ul style="list-style-type: none"> • Separate meetings in the purchasing process • Supplier assessments within the framework of business networks, such as "Sustainable food chain" • Special dialogue projects, e.g., for soy and palm oil • Annual supplier meetings for all suppliers with Axfood's management • Training of suppliers' employees in risk countries • Social audits. A total of 54 audits were carried out in 2016 (48) 	<ul style="list-style-type: none"> • Anti-corruption and bribery • Use of pesticides and chemicals • Healthy food • Work environment, working conditions and health • Country of origin and trace-ability
 <p>Owners</p> <p>Axfood shall create enduring value for its shareholders by exercising corporate social responsibility.</p>	<ul style="list-style-type: none"> • One-on-one investor meetings • Webcasts/conference calls in connection with interim reports • Presentations and investor luncheons, seminars and other gatherings • Road shows in Sweden, the UK, France, Germany and the USA 	<ul style="list-style-type: none"> • Anti-corruption and bribery • Attract and develop employees • Use of pesticides and chemicals • Organic and healthy food • Energy consumption • Favourable, sustainable return • Food waste
 <p>Society</p> <p>Axfood shall actively strive to contribute to society by influencing and being responsive. This stakeholder category includes everyone from stakeholder organizations, politicians and decision-makers to people who are not customers of Axfood.</p> <p>People who are not yet customers have similar priorities to Axfood's customers. However, existing customers prioritize healthy and locally produced food to a greater extent.</p> <p>Axfood is engaged in continuous dialogues and partnerships during the year with various organizations in the area of sustainability. Stakeholder organizations prioritize, above all, issues related to products and the assortment, and the supply chain.</p> <p><i>Read more about Axfood's dialogues and active opinion-shaping work both nationally and at the EU level, on pages 33–35.</i></p>	<ul style="list-style-type: none"> • Personal meetings with decision-makers in Sweden and the EU • Presentations at conferences and other gatherings • Membership in trade organizations, like the Swedish Trade Federation and Svensk Dagligvaruhandel • Dedicated public affairs officer since 2015 	<ul style="list-style-type: none"> • Use of pesticides and chemicals • Anti-corruption and bribery • Animal welfare • Country of origin and trace-ability • Work environment, working conditions and health • Healthy food • Certification of critical primary food ingredients

Materiality analysis

The results from the previous materiality analysis were analysed in 2016. The aim of the analysis is to ensure and confirm that Axfood's priorities in its sustainability work are aligned the expectations of the Company's stakeholders.

The materiality analysis also provides guidance to Axfood in its sustainability reporting and serves as the foundation for reporting in accordance with GRI G4 Core. The analysis is validated yearly.

Implementation

Through an ongoing dialogue with the stakeholder groups during the year Axfood was able to validate the previous materiality analysis. This validation largely confirmed the results from the more extensive materiality analysis that was conducted in 2015. The process involved an internal workshop with representatives from Axfood's operations, which used the UN's Sustainable Development Goals as a starting point for an analysis and discussions about which sustainability issues are most relevant for Axfood from a strategic perspective.

Together with other prioritized issues brought up through dialogue with stakeholder organizations and other interests during the year, a questionnaire was prepared with 25 questions in six categories:

- Assortment and consumer responsibility
- Climate impact
- Business culture
- Responsibility as an employer
- Responsibility in the supply chain
- Corporate social responsibility

This web-based questionnaire was completed by a total of 2,122 respondents from various stakeholder categories: owners, employees, customers, non-customers and suppliers. All of the issues were ranked as important or very important for Axfood. In the analysis, the results of the various stakeholder categories were weighted, so that the responses from all of the categories had the same weighting.

The results from the survey, together with Axfood's sustainability programme, identify the issues of most importance for Axfood's sustainability work.

Material issues

Issues that are material for Axfood reflect the issues that have been assigned high priority by stakeholders as well as issues that are the most material for Axfood from a sustainability perspective, but also based on which sustainability issues are the most material for Axfood overall in view of Axfood's business strategy and competitiveness. Axfood has made varying progress in its strategic work with material issues.

What these issues all share in common is that they are not only addressed and have an impact within the organization, but that work with them is conducted to a great extent in cooperation with suppliers. Axfood reports in accordance with the GRI framework for all material issues.

Apart from the most material issues, there are numerous issues that Axfood informs about in its sustainability reporting, but which are not considered to be material by stakeholders nor by Axfood. See the figure on page 45.

Material issues for Axfood

Animal welfare

Axfood shall contribute to improved animal husbandry, such as by advocating for reduced use of antibiotics in meat production.

Anti-corruption and bribery

Axfood shall counter all forms of corruption and bribery, among other things through training.

Control of the supply chain

Axfood shall advocate for decent working conditions among its suppliers and greater traceability, and actively strive for more sustainable production of ingredients such as palm oil and soy.

Efficient use of energy

Axfood shall have energy-efficient stores, such as by investing in low-energy refrigerator and freezer displays.

Equal opportunity and diversity

Axfood shall reflect the diversity of its customers and have an even gender balance and a broad international background among its employees and managers.

Pesticides and chemicals

Axfood shall advocate for the avoidance of hazardous chemicals and pesticides in food production.

Reduced climate impact

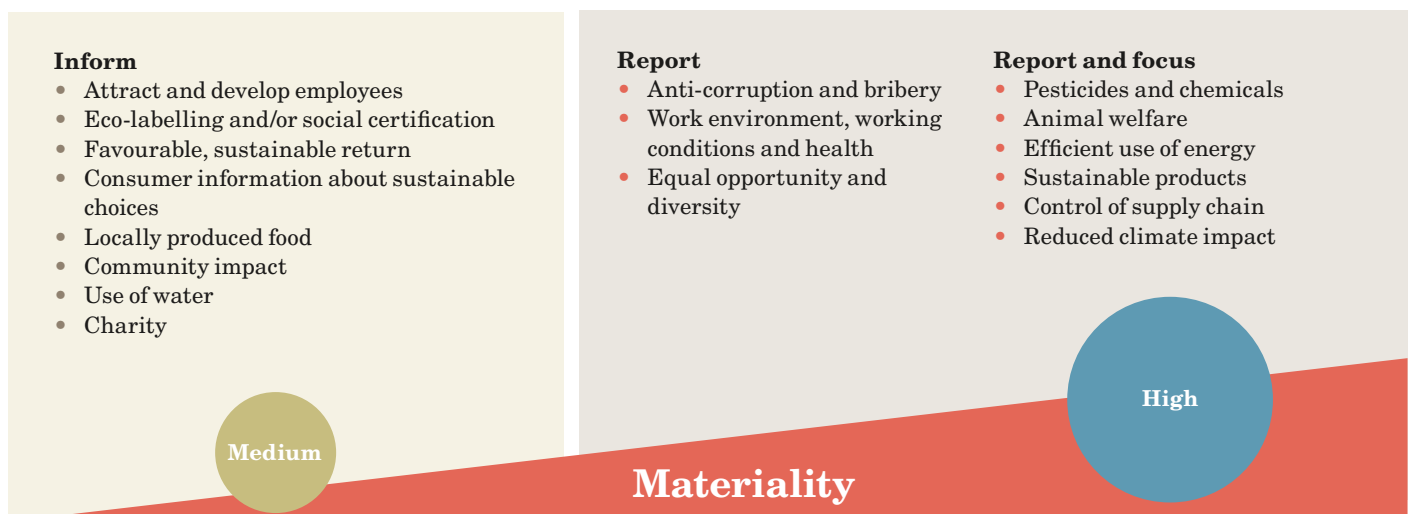
Axfood shall have efficient transports and sorting systems, embrace innovative solutions for preventing food waste, and advocate for climate-smart food production.

Sustainable products

Axfood shall offer healthy and organic foods in which critical primary ingredients such as palm oil and soy are certified.

Work environment, working conditions and health

Axfood shall offer a safe and healthy work environment with working conditions that are in line with the going rate in the market.



About this report

For the ninth year in a row, Axfood is reporting its sustainability work in accordance with the Global Reporting Initiative (GRI) Guidelines, G4 Core level.

REPORTING PRINCIPLES

Axfood's sustainability reporting coincides with the Company's financial year and covers the period 1 January–31 December 2016. The data pertain to Group-owned retail operations, with 263 stores (Willys and Hemköp), and wholesale operations (Dagab and Axfood Närlivs). At present, franchise stores (the so-called retailer-owned stores) do not report sustainability data centrally to Axfood and are therefore not included in the reporting. The same applies for external transport contractors in the wholesale operations. In this respect the report does not differ from previous years' reports and methodologies.

The report is structured in accordance with the GRI principles, which entails that it is to provide a comprehensive picture of operations, where the content is determined by the aspects that are the most material for Axfood's operations and for the Company's stakeholders.

The materiality analysis described on page 44 has served as the basis for the choice of GRI indicators, where every material aspect has been matched against at least one GRI indicator, which is shown in the GRI index on pages 48–51. The index also includes comments on omissions or incomplete data. The report is not subject to external verification. The preceding report was published in February 2016.

Since Axfood is a signatory of the UN Global Compact's ten principles on human rights, labour, the environment and anti-corruption, the sustainability report constitutes Axfood's Communication on Progress.

MEASUREMENT AND CALCULATION METHODS

Sustainability data for Axfood are compiled centrally. Reporting is done by sustainability coordinators or by employees in expert functions. Figures pertaining to sales and employees are taken from HR and accounting systems.

Pesticides

Pesticides are a new area that will begin to be analysed, and therefore no data is available. Axfood is reviewing which certifications are available and will thereafter choose the products that it will concentrate its work on.

Animal welfare

In 2016 Axfood upgraded its requirement that all suppliers of meat ingredients must have a third-party verification of animal welfare. This require-

ment will be introduced gradually for existing suppliers and immediately for all new suppliers.

Material fractions

Contractors that collect material fractions from Axfood's stores register the volume in Axfood's service vendor portal, which also serves as the basis for invoicing. Based on this information, the weight of combustible material in relation to net sales is reported. This key ratio indicates the extent to which Axfood's stores sort their waste. A low share of combustible material entails that a high share of material is sorted and recycled. Axfood strives to ensure that as little material possible ends up in the combustible fraction. During the year, the reporting system for combustible waste at Hemköp was not able to provide satisfactory documentation for a calculation, which is why Hemköp does not report this key ratio.

Climate impact – carbon emissions

Axfood's climate impact from its own operations consists mainly of CO₂ emissions. The following factors are included in calculations of climate impact:

- climate impact of refrigerants
- CO₂ emissions from transport of distributed goods and business travel
- electricity consumption in own stores and warehouses

On account of the fact that external data (the residual mix) for 2016 was not available at the time Axfood's sustainability report was published, the Company's climate impact for 2016 cannot be reported. Once the residual mix for 2016 has been made public, Axfood will report on the year's climate impact in future interim reports.

Refrigerants

Calculation of the climate impact of refrigerants in Group-owned stores, warehouses and own delivery vehicles is based on the replenishment of refrigerants during the year. Emissions are recalculated to CO₂ equivalents, based on the GHG protocol. For a more detailed description of the calculation method, see Hagainitativet.se.

Transports

CO₂ emissions pertain to delivered goods using own vehicles from warehouses to stores and are based on the use of various fuels, data provided

by fuel suppliers, the total volume of goods delivered in tonnes, and the share that is distributed using own vehicles.

Electricity consumption

All premises (stores, warehouses and offices) in which Axfood is the direct electricity customer use green electricity; in other words, the electricity consumption has no CO₂ emissions. After putting pressure on the property owners of stores located in shopping centres or for which Axfood for some other reason is not the electricity customer, at year-end 2015 only one store remained that does not use or has plans to change over to renewable electricity. The corresponding number a year earlier was ten stores. If an electricity customer does not make an active choice of the source of its electricity, its electricity will be sourced from the so-called residual mix. The more customers that actively choose cleaner electricity sources, the dirtier the residual mix will be. The level of CO₂ emissions in the residual mix varies from year to year. Data on the residual mix in 2016 will be available later in 2017, and thus the climate impact of Axfood's electricity consumption in 2016 cannot be reported.

Calculation of total electricity consumption is based on the total area of stores and warehouses in relation to net sales. When sales increase, more energy is used.

Business travel

Calculation of the climate impact of business travel is based on all identified modes of transport: air (booked via travel agencies), rail, airport shuttle, taxi, company car, rental car, or personal car. Axfood's travel policy requires that business travel be booked via the Group's contracted travel agency. The climate impact of hotel stays and travel by local mass transit is not included.

Sustainable products

Axfood strives to offer sustainable products in its assortment. Examples of more sustainable products are organic products, vegetarian protein substitutes and healthier product variants, but also products certified by such organizations as Rainforest Alliance, UTZ and Fairtrade, or according to IP or Global GAP. The aim is to increase the share of sustainable products and to adopt higher standards for the entire product range. Examples of healthy products are vegetables, fish, shellfish, seeds, low fat dairy products and Keyhole-labelled products. Axfood measures the share of organic product sales and sales of vegetarian alternatives in proportion to total food sales within the Group. Organic products

include both EU organic and KRAV-certified products. By vegetarian products is meant refrigerated or frozen vegetarian protein substitutes, i.e., ready-to-eat food products, such as tofu and Quorn. They do not include frozen or refrigerated vegetables, legumes or bread.

Employees

The average number of employees is a measurement of all time for work attendance including paid leave, less overtime, divided by 1,920 working hours per year.

The average service period is calculated as the sum of permanent employees' time employed in years (31/12/2016 – date hired) divided by the number of permanent employees.

Employee turnover is calculated as the number of permanent employees who ended their employment during the year in relation to the average number of permanent employees as per 31 December 2016.

The work attendance rate is calculated as the number of hours worked in relation to the scheduled working time.

By an even gender balance in management positions is meant that men and women are represented within a range of 40%–60%. By management position is meant that the person has directly subordinate employees.

Having an international background is one measure of diversity. Axfood uses the same definition as Statistics Sweden, i.e., that the employee him-/herself or both parents were born outside of Sweden.

Suppliers

Social audits pertain to suppliers of private label products in risk countries. Axfood uses the same definition of risk country as BSCI, which in turn is based on the World Bank's ranking of selected parameters.

Quality assurance/product safety

Product recalls are announced when a product is judged to pose a health or environmental risk. Recalls are communicated to the general public via press release.

SIGNIFICANT CHANGES SINCE THE PRECEDING REPORTING PERIOD, OR EXPLANATIONS

No significant changes were made since publication of the 2015 Sustainability Report.

GRI Index

The following index references where obligatory standard disclosures and selected indicators from the materiality analysis are reported in this report or in the Annual Report (AR).

Standard Disclosures

	Description	Page reference	Comment/Omissions
Strategy and Analysis			
G4-1	Statement from CEO and Chairman	2–3	
Organizational Profile			
G4-3	Name of the organization	Inside cover	
G4-4	Primary brands, products and services	1	
G4-5	Location of the headquarters	Back cover	
G4-6	Countries in which the organization has operations	Inside cover, AR 52	
G4-7	Nature of ownership and legal form	AR 48–49	
G4-8	Markets served	Inside cover, 1	
G4-9	Scale of the organization	Inside cover, 1	
G4-10	Total workforce	32	
G4-11	Percentage of total employees covered by collective bargaining agreements	32, AR 54	
G4-12	The organization's supply chain	26–28	
G4-13	Any significant changes during the reporting period	AR 45, 101	
G4-14	Whether and how the precautionary principle is addressed	36	
G4-15	Externally developed charters, principles or other initiatives	Inside cover, 15–17, 24–26, 29–30, 35	
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G4-17	Entities covered or not covered by the report	46, AR 96	
G4-18	Process for defining the report content	44–45	
G4-19	All material Aspects identified	44–45	
G4-20	Aspect Boundary within the organization for each material Aspect	44–47	
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G4-22	The effect and reasons for any restatements of information provided in previous reports	46–47	
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	Description	Page reference	Comment/Omissions
Stakeholder Engagement			
G4-24	Stakeholder groups	42–43	
G4-25	Identification and selection of stakeholders	42	
G4-26	Approach to stakeholder engagement	42–43	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded	42–43	
Report Profile			
G4-28	Reporting period	46	
G4-29	Date of most recent report	46	
G4-30	Reporting cycle	46	
G4-31	Contact point for questions regarding the report	Inside cover	
G4-32	Choice of “in accordance” option, GRI Content Index and reference to external assurance	46, 48–51	
G4-33	Policy and current practice with regard to seeking external assurance for the report	46	
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G4-34	Governance structure	36–37 AR 68	
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G4-56	Values, principles, standards, codes of conduct and codes of ethics	8, 36–37	

Specific Standard Disclosures

Material Aspects, DMA and Indicators in materiality analysis		Page reference	Comment/Omissions	Issue in Axfood's materiality analysis
ENVIRONMENT				
Energy				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 40, 45, 46–47		Efficient use of energy
G4-EN3	Energy consumption within the organization	13, 20		
G4-EN5	Energy intensity	20		
G4-EN6	Reduction of energy consumption as a result of conservation and efficiency initiatives	20, 22		
Emissions				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 38–41, 45, 46–47		Reduced climate impact
G4-EN15	Gross direct greenhouse gas (GHG) emissions	20–22		
G4-EN16	Gross energy indirect GHG emissions	21–22		
G4-EN17	Gross other relevant indirect GHG emissions	22		
G4-EN18	GHG emissions intensity ratio	20		
G4-EN19	Initiatives to reduce GHG emissions, and amount of reductions achieved	20, 22		
Effluents and Waste				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 39, 45, 46		Reduced climate impact
G4-EN23	Total weight of waste, per type of disposal method	22		
Products and Services				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 38–41, 45, 47		Reduced climate impact
G4-EN27	Report quantitatively the extent to which environmental impacts of products and services have been mitigated	10–11, 15–17		
Transport				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 40, 45, 47		Reduced climate impact
G4-EN30	Significant environmental impacts of transporting products and other goods and materials used in operations	10–11, 19		
Supplier Environmental Assessment				
G4-DMA	Sustainability governance of material Aspects	26–28, 36–37, 38–41, 45, 47		Control of supply chain
G4-EN32	Percentage of new suppliers screened using environmental criteria	26–27, 41		
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain, and actions taken	26, 15–17		
SOCIAL				
Labour Practices and Decent Work				
Employment				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 41, 45, 47		Equal opportunity and diversity Work environment, working conditions and health
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	32		
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	29		

Material Aspects, DMA and Indicators in materiality analysis		Page reference	Comment/Omissions	Issue in Axfood's materiality analysis
Occupational Health and Safety				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 41, 45, 47		Work environment, working conditions and health
G4-LA5	Percentage of total workforce represented in formal joint-management worker health and safety committees	31		
G4-LA6	Types and rate of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region	32		
Diversity and Equal Opportunity				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 41, 45, 47		Equal opportunity and diversity
G4-LA12	Composition of board and management, and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	29, 32		
Equal Remuneration for Women and Men				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 41, 45, 47		Equal opportunity and diversity
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category	29–30		
Supplier Assessment for Labour Practices				
G4-DMA	Sustainability governance of material Aspects	26–28, 36–37, 41, 45, 47		Control of supply chain
G4-LA14	Percentage of new suppliers screened using labour practices criteria	26–27, 41		
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain, and actions taken	24–27, 41		
Human Rights				
Non-Discrimination				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 41, 45, 47		Equal opportunity and diversity
G4-HR3	Total number of incidents of discrimination and corrective actions taken		No reported incidents.	
Supplier Human Rights Assessment				
G4-DMA	Sustainability governance of material Aspects	26–28, 36–37, 41, 45, 47		Control of supply chain
G4-HR10	Percentage of significant suppliers and subcontracted suppliers screened using human rights criteria, and actions taken	26–27, 41		
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain, and actions taken	24–28		
Society				
Anti-Corruption				
G4-DMA	Sustainability governance of material Aspects	36–37, 41, 45		Anti-corruption and bribery
G4-SO4	Percentage of employees that have received training in the organization's anti-corruption policies and procedures	37, 41		
G4-SO5	Confirmed incidents of corruption and actions taken	37		
Product Responsibility				
Customer Health and Safety				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 38–40, 45, 46–47		Animal welfare Pesticides and chemicals Healthy food
G4-PR1	Percentage of product and service categories for which health and safety impacts are assessed for improvement, and percentage of significant product and service categories assessed	15–17		
Product and Service Labelling				
G4-DMA	Sustainability governance of material Aspects	12–13, 36–37, 38–40, 45, 47		Healthy food
G4-PR3	Type of information about products and services required by the organization's procedures for product and service information labelling, and percentage of products and services subject to such information requirements	16–17, 34		

Everyone in Sweden should have the



right to good, wholesome, attractively priced and sustainable food.



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Hemköp **WILLY:S** **WILLY:S** **MARKET** **dagab**



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