



Different concepts  
– one family

Axfood



Interest in grocery shopping online grew strongly in 2020. Pictured on the cover is a Willys associate putting together an online order in a Willys store.

# Affordable, good and sustainable food

In the Axfood Group we are working continuously to strengthen our selection of good and sustainable food. During the year, for example, new vegetarian meal solutions based on Swedish legume mince were launched. Products like these meet customers' growing interest in more sustainable consumption as well as increased demand for locally produced plant-based products, like vegetarian and vegan alternatives without soy.

Read more about Axfood's work on developing its assortment on pages 22–23.



## Business review

Axfood at a glance	3
2020 in brief	4
CEO's message	7
Trends and market	10
Targets and outcomes	14
Investment case	16
Business model	18
Strategy	20
Customer offering	22
Customer meeting	24
Expansion	26
Supply chain	28
Work approach	30
Our people	32
Risks and risk management	34

## Financial statements

Administration report	38
Willys	40
Hemköp	41
Snabbgross	42
Dagab	43
Financial statements, Group	44
Financial statements, Parent Company	50
Notes	53
Auditor's report	79

## Sustainability

Sustainability in everything	82
About Axfood's sustainability work	88
Food	91
Environment	94
People	99
Reporting principles and sustainability definitions	108
GRI Index	110
Sustainability report index	
– Annual Accounts Act	112
Auditor's statement	112
Sustainability programme	113

## Corporate governance

Chairman's message	119
Governing bodies, rules and regulations	120
The Board's report on internal control	126
Auditor's examination of the corporate governance report	129
Board of Directors	130
Executive Committee	132

## Other

Definitions	134
Ten-year overview	135
The share	136
Shareholder information	138
Annual General Meeting	139

### About the Annual Report

Pages 38–78 constitute the statutory annual report, which has been audited. The Group's sustainability issues are integrated in the operations and thereby in the Annual Report. Axfood presents a sustainability report prepared in accordance with the GRI Standards, Core option, and a sustainability report in accordance with the Swedish Annual Accounts Act.

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



# Axfood at a glance





# A family of food concepts with strong positions

Axfood is a leading food retail group in Sweden. We are a family of distinctive food concepts that together create a better day where everyone can enjoy affordable, good and sustainable food. Every week we welcome some 4.5 million customers in more than 300 Group-owned stores, online, and through over 600 collaborating franchise stores. The Axfood Group has more than 11,000 employees (FTEs) and net sales of more than SEK 53 bn.

## Willy:s

Willys is Sweden's leading discount grocery chain, featuring a wide assortment in Group-owned stores and online. With Sweden's cheapest bag of groceries, Willys aspires to lead and develop the discount segment of food retail.

## Hemköp

Hemköp offers an attractively priced wide assortment with a rich offering of fresh products. Hemköp's Group-owned stores, retailer-owned stores and online business aim to inspire good meals in a simple way.

## tempo

Tempo is a mini-mart format of retailer-owned stores. At Tempo stores customers are greeted in a familiar environment offering good food and personal service.

## eurocash

Eurocash is one of the leading grocery chains along the Norwegian border. Specializing in cross-border shopping, Eurocash aims to make it easy for customers to shop for good food at the lowest prices.



Through its retailer-owned mini-marts, Handlarn offers accessibility and proximity to groceries and services, mainly in the countryside but also in city centres.

## mat.se

Mat.se is the online grocery store, where customers can find grocery lists, inspiring recipes and access to a unique carbon footprinting database to help them shop sustainably.

## MIDDAGS FRID

Middagsfrid is the weekday hero, offering pre-planned meal kits complete with online recipes. Its vision is a better culinary world where more and more people cook their meals using carefully selected ingredients.

## apohem

The online pharmacy Apohem is an e-commerce challenger, featuring a full-scale retail pharmacy at which customers can order OTC products as well as prescription drugs.

## UD URBAN DELI

Urban Deli, with four stores and online sales in Stockholm, is a combination of restaurant and market hall with own production of innovative, convenient and healthy food.

## Snabbgross

Snabbgross is one of Sweden's leading restaurant wholesalers with a customer base of restaurants, fast food operators and cafés. Snabbgross offers personal service, accessibility and quality at its stores and online.

## DAGAB

Dagab runs and develops the Group's assortment, purchasing and logistics. Dagab plays a key role in Axfood's work on continuously streamlining the product flow.

Read more about our segments on pages 40–43.



# 2020 in brief

## A strong year with increased market shares

Axfood's growth has long been outpacing the market, and this trend continued also in 2020. Particularly noteworthy was growth for Willys, which strengthened its position as Sweden's leading discount chain, while Hemköp continued to develop its concept. In total, store sales for the Axfood Group grew 8.7% in a market that grew 7.6%. Growth in e-commerce accelerated during the year, reaching 112%, which also outpaced the market's growth of 95%. 2020 was a strong year for Axfood, and owing to high growth, both operating profit and profitability improved.



## Progress for efficient and sustainable logistics

During the year, construction continued of the new, highly automated logistics centre in Bålsta, north of Stockholm. Upon completion in 2023 the logistics centre will be one of the largest and most modern of its kind in Europe and will serve as a single location for the entire flow and processes for stores, e-commerce and convenience retailers. The facility will handle 60% of Dagab's volumes and is being built with capacity to accommodate future growth and expansion. In addition to the construction work, during the year a pilot was initiated of the Group's new Transport Management System along with a partnership with Scania on electrification of heavy transports. In the Group's joint dark stores, the efficiency was improved, which led to higher productivity for e-commerce logistics.

## Continued investments in the future

During the year Axfood continued to invest in the future, and several exciting ventures saw the light of day. The new Klubb Hemköp loyalty programme rewards customers for making sustainable choices, while Snabbgross Club is meeting consumer demand for high quality products in bulk packages at attractive prices. Strengthening the digital offering and way of working is a key priority, and during the year new, digital tools were launched in stores, such as self-scanning and mobile payment. The rate of expansion in e-commerce accelerated and new solutions were tested. Willys introduced mobile click & collect lockers at service stations, and Mat.se launched co-deliveries of groceries with pharmacy products from Apohem as well as a service for customers that allows them to order home delivery of complete meals from selected restaurants.

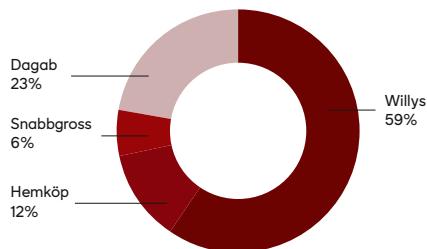
## A positive force for change

Axfood aspires to be and to be recognized as a strong force in society and to work together with stakeholders and decision-makers in society to drive development towards more sustainable food consumption. Axfood is conducting ambitious work with sustainability, which received recognition during the year through a top ranking in the food retail category in a survey of Swedish listed companies' sustainability work. During the year the store chains' successful work on reducing food waste as well as initiatives to reduce the use of plastics generated results. At the same time, work with the supply chain was also strengthened, with a mapping of the largest suppliers' climate work and development of a new water routine to measure and follow up water use by suppliers of agricultural products.

## Net sales

# SEK 53,696 m

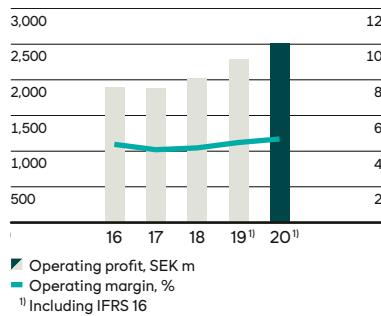
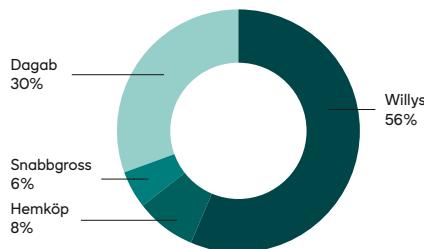
Share of external net sales by operating segment



## Operating profit

# SEK 2,510 m

Share of operating profit by operating segment



<sup>1)</sup> Including IFRS 16

## An extraordinary and turbulent year during the pandemic

2020 was an extraordinary and turbulent year, with the coronavirus pandemic bearing a major impact on society as well as on Axfod's operations. The year was characterized by intense activity within the Group focused mainly on protecting employees' and customers' safety while ensuring product supply nationwide.

Axfod's sales and earnings benefited from higher demand in the food retail sector both in stores and online. Consumption of food at home increased, as many people chose to stay away from cafés and restaurants. To accommodate the increased demand, adjustments were made in operations. We focused on ensuring product supply and staying abreast of customers' changed shopping behaviours despite increased sickness-related absences in stores, warehouses and transports. Capacity in e-commerce was expanded, and a number of initiatives were implemented in stores to prevent spread of the virus and create a safe environment for employees and customers, such as plexiglass shields and barriers in checkout lanes, enhanced cleaning and hygiene routines, installa-

tion of hand disinfectant stations and clear signage reminding customers to socially distance.

Although overall demand in the food retail market was strong during the year, the situation was challenging for parts of operations. Since many chose to eat at home, performance for the café and restaurant market was weak, which had a negative impact on Snabbgross and Urban Deli. Stores in central urban locations saw dramatically reduced customer traffic, which affected sales negatively, especially for certain Group-owned Hemköp stores. Sales for partly owned Eurocash decreased significantly owing to the negative development for cross-border shopping as a result of travel restrictions imposed by Norway. Dagab's sales to convenience retailers also decreased, as fewer people shopped at mini-marts and service stations.

### Many support initiatives

At the same time that operations were adjusted to address the various effects of the pandemic, a number of initiatives were implemented to help people in

at-risk categories in society shop and get their groceries delivered home to them safely and securely. Willys opened a dedicated customer support function for people who are unaccustomed to online shopping, many of whom are seniors. Hemköp introduced dedicated early morning shopping for at-risk customers, and Mat.se launched a special store online. To give grocery shoppers even more options during the pandemic, Snabbgross opened up more than half of its stores for sales directly to consumers. Dagab started a fast track for small, local vendors affected by the weak restaurant market to accelerate the process of getting products in the assortment.

### Government compensation

Despite challenges in parts of operations during the year, the Axfod Group refrained from applying for so-called state reorientation and furlough support. However, in accordance with the rules, Axfod did accept compensation for the increased sickness-related absences through sick pay compensation.





# An exceptional year with decisive steps towards continued sustainable growth

In an extraordinary time, Axfood sums up a year in which it both outpaced the market's growth and achieved higher profitability. Willys continued its exceptional performance, Hemköp built further upon its concept, and Snabbgross demonstrated resilience through quick-footed innovation in a weak restaurant market and took new market shares. E-commerce has skyrocketed, and Axfood grew more than the market in this channel, too. With a high pace in our innovation, development and sustainability work and a long line of new services that were launched during the year, Axfood is well-poised for continued growth.

It is a very special year that I summarise here in my CEO's message – a year unlike any other I have experienced and a year in which we all had to realign ourselves and adapt to a new and extraordinary situation. As Axfood's chief executive I have never been more proud about what we have succeeded in achieving together. Despite major strains, together we shouldered our societal responsibility to keep stores, warehouses and transports running. Exceptional measures have been taken within our organization to ensure product supply and enable good availability of products for customers throughout Sweden. The health and safety of our employees and customers have been our highest priority, with extensive work to prevent spread of the coronavirus in offices, warehouses and stores.

## New shopping behaviours, new opportunities

The pandemic has impacted society at its very core and thus our operations in many different ways. We have been running at high gear in most parts of our Group, but there are also parts that have had it tough, just like in many other industries. Demand in food retail reached a historically high level during the year as many chose to do most of their dining at home. At the same time, it is clear that certain store locations benefited more than others, where stores located near residential areas are benefiting and stores at central locations in major cities are having a tougher time. Changed consumption patterns also had a negative impact on the café and restaurant market.

The perhaps greatest change in consumers' shopping behaviour during the year was the increased share of shopping online. E-commerce sales experienced a sharp upswing, and 2020 was the year in which many people made their first grocery purchase online – especially older consumers.

For Axfood the prevailing situation and surge of e-commerce inspired new, creative solutions and concepts for achieving greater accessibility. Willys launched new ways to move closer to customers by testing mobile Click and Collect lockers to

complement the order pick-up lockers at stores that customers increasingly prefer to use for online shopping. Mat.se launched restaurant collaborations, and Urban Deli opened a web shop as a way of reaching customers when it is no longer possible to gather in restaurants. And Hemköp substantially stepped up the pace of its online roll-out.

In stores, too, the higher demand has driven new ways to meet customers. Snabbgross opened up its stores to the general public during the pandemic to offer an additional opportunity to shop for groceries safely in an airy wholesale environment. We also created a fast track for local producers who are fighting for their survival, giving them an expedited opportunity to sell their products in stores when their regular restaurant customers have cut back on their purchases.

## A strong year under extraordinary circumstances

All in all 2020 was yet another strong year for Axfood, with good sales growth and improved profitability. Store sales grew 8.7%, which once again was higher than average growth for the food retail sector, which was 7.6% for the year. Our e-commerce growth was a full 112%, compared with the market's growth of 95%. During the final months of the year, the share of online sales for pick-up at stores passed the share of home deliveries. Growth amounted to 173 percent, which was approximately three times higher than growth for home deliveries. And here, too, we outperformed the market.

At the same time that our net sales increased, we also succeeded at improving the operating profit and profitability. Operating profit rose 9.7% to SEK 2,510 m, which is mainly explained by favourable like-for-like sales growth, but also by

**"The year was characterized by changed needs and new consumer behaviours, and perhaps the greatest change was the increased share of e-commerce."**



# "Despite a year of major challenges, perhaps the biggest challenge of all lies ahead. Food accounts for a substantial share of households' climate impact, and bringing about more sustainable production is a prerequisite for achieving the climate goals."

the fact that we managed to successfully leverage our capacity and achieved very high efficiency.

Willys showed tremendous performance during the year, further strengthening its position as Sweden's leading discount chain. Several of our other brands had a challenging year in the face of the pandemic, but it is important to remember that Axfood is a family of distinctive concepts in collaboration and that all of our brands contribute to long-term profitable growth. Dagab has done an outstanding job at supporting the chains and laid the foundation for the Group's profitability improvement. Dagab serves more stores and online customers than ever before and has made an impressive journey by boosting the profitability of logistics both for stores and e-commerce.

## Sights set on the long term

Our ambition is to develop the strongest positions in the most attractive markets. And we have fantastic prospects for this with our portfolio of strong brands. Even though the pandemic took much of our focus during the year, we continue to maintain a high pace of development in our future-oriented ventures.

Activity is going full-steam in Bålsta outside Stockholm, where our new, highly automated logistics centre for stores and e-commerce will be completed in 2023. A large part of the building has now been framed, outlining an impressive structure that stands 30 metres tall. We are now preparing to enter the next phase, where we will begin installation of the automation. It is truly exciting to see how this enormous warehouse is taking shape.

We have expanded the capacity and improved the efficiency of our existing dark stores, and we moved our online pharmacy Apohem into the Årsta warehouse. In doing so we are generating synergies through collaboration with our other concepts and creating conditions for continued high growth.

In the area of transports we are developing a new, uniform transport solution that is efficient, scalable and flexible for the future. Dagab is currently testing a new Transport Management System that will enable transport optimization, fewer transfer shipments and an overview of our transport flows. The system also allows for modern and efficient route planning, order tracking and notifications both for stores and online customers. We are now approaching a second pilot, during which we will test e-commerce for in-store order picking during the spring.

In the digital customer meeting, we continue to test various solutions for a more seamless and relevant shopping experience for consumers, and during the year functionality was launched that allows self-scanning and payment via smartphones in a number of stores – something that is being rolled out across a broader front in 2021.

It is not so often that we open a new store concept, but the new Snabbgross Club, which opened for business in northern Stockholm in November, is an exciting initiative designed to attract consumers in search of high quality groceries, food items and household products in bulk packaging and at attrac-

tive prices. The concept has been well-received, and it is clear that there is a need and keen interest.

## Sustainable progress

Despite a year of major challenges, perhaps the biggest challenge of all lies ahead. Food accounts for a substantial share of households' climate impact, and bringing about more sustainable production is a prerequisite for achieving the climate goals. This means that we in our Group can and must be an important force for change that makes a difference – both for consumers today and in the future. For us, sustainability means seeing the entire picture and taking into account how all parts of our operations – and the decisions that are made – impact everything from food to the environment and people. Because it all hangs together.

During the year we continued to advance our positions in the area of sustainability. More fossil-free transports, less food waste in stores, higher sales of plant-based proteins, less plastic in packaging, more solar panels on store rooftops and more social audits along the supply chain are just a few examples of what we have been working with. With Hemköp's new, favourable loyalty programme, Klubb Hemköp, we were first out in the industry to reward sustainable choices that are positive both for the climate and people's own health. And together with truck maker Scania we are developing new solutions for electrification of heavy transports, which is an important piece of the puzzle for reaching our target of fossil-free transports.

## 20 years – and stronger together

2020 was also the year in which Axfood turned 20 years, even though many of our companies have a history that dates even much further back in time. Over this twenty-year period we have built a solid foundation on which to deliver on our assignment – to create a better day where everyone can enjoy affordable, good and sustainable food. We have developed our chains, but we also added new members to the family. We will strengthen what we already have, but also look for entirely new opportunities. The strength of our structure is that we have many different concepts under the same roof and that in doing so we are making a difference – for very many people. Because together we meet more than 4.5 million customers every week, where our offering affects what is served on their plates. This is something to be proud of!

I am also proud of all the tremendous efforts that all our employees made throughout the Group and across Sweden during this exceptional year. I therefore want to take this opportunity in particular to thank all of you who contributed to the strong position that our Group has today. Together we are stronger, and 2020 has shown us this more clearly than ever before.

Stockholm, February 2021

**Klas Balkow**  
President and CEO





# Focus on change

Digitalization, demographic changes, competition and a heightened focus on sustainability and price value are examples of rapidly evolving trends that are shaping society and the food retail industry. Our ability to understand how these forces affect us so that we can leverage them into a long-term strategy and concrete actions enables us to meet customers' changing needs.

## 1. Demographics

- High population growth
- Ageing population
- Widening income gaps
- Greater diversity
- Continued high pace of urbanization affecting both cities and the countryside

Sweden's population has been growing steadily for quite some time, and during the last five years the average annual rate of growth was approximately 1%. According to Statistics Sweden's forecast, Sweden's population will reach more than 11 million by 2030. Population growth is expected to be greatest in the major cities. The share of people born outside the country will increase to around 22%. Meanwhile, the share of elderly is growing at the same time that the share of people of working age is decreasing. All of these factors affect what, when and how food is consumed.

**Axfood's strategy for addressing this trend:**



## 2. Competition

- Continued fierce competition from traditional and new actors
- The market's actors are creating ecosystems of products and services
- Innovative, small actors seeking partnerships

Competition in the food retail market is intense and is coming from traditional as well as new actors. The increased consumer interest in shopping for food online has created an opportunity for new actors to make their offerings available to a large share of the population without a broad network of brick-and-mortar stores. Large, global actors are creating ecosystems with different products and services, and Swedish actors are building retail ecosystems on a food platform. To reach out to a broader market, innovative, smaller actors are forging partnerships with larger, traditional retailers.

**Axfood's strategy for addressing this trend:**



## 3. Price value

- Strong discount trend, especially in times of economic uncertainty
- Low price is not the only factor that determines if a product offers price value
- Private label products and large purchasing volumes are key for being able to offer price value

With digitalization comes greater price transparency, and it is clear that the discount trend continues to be strong, especially in a time when society is beset by economic uncertainty and higher unemployment. More and more actors are selling food, and it is easy for consumers to compare the various options with each other. Consumers in Sweden are generally very price conscious, and Axfood's own surveys show that customers regard value for money as most important after quality. At the same time, it is not only price that determines what customers perceive as value for money. Pleasant service, attractive peripheral services and a high-quality assortment are also important. To bring down prices for customers, retailers are relying on private labels and large purchasing volumes.

**Axfood's strategy for addressing this trend:**



### Customer offering



We will offer our customers an attractive, efficient, wide and affordable assortment. Read more on pages 22–23.

### Customer meeting



Through our brands and formats we will meet our customers' varying needs – no matter where, when and how the customer meets us. Read more on pages 24–25.

### Expansion



We will grow in new and existing markets by establishing stores and developing new segments, categories and services. Read more on pages 26–27.



## 4. Sector convergence

- Long-term trend toward increased sector convergence, especially in major cities
- Focus on culinary spaces and meal solutions
- New distribution channels being established for meal solutions

The line between sectors is becoming fuzzy as many companies offer products and services that traditionally are not part of their core businesses. Groceries are being sold to a greater extent at restaurants, convenience stores and other retail venues. Cafés and pharmacies are sharing space with grocery stores, and also selling food products. According to Statistics Sweden, during the last 20 years the share of household expenses that go to groceries has been around 12%. Longer term, the share of household expenses consumed at cafés and restaurants is expected to rise, although the pandemic has affected the development in the opposite direction.<sup>1)</sup>

<sup>1)</sup> Source: Fast Moving Report 2019 – Sweden 2030 (WSP Advisory)/SCB.

Axfood's strategy for addressing this trend:



### Supply chain



We will be a driver of sustainable product supply with high efficiency and quality across the entire chain. Read more on pages 28–29.

## 5. Health and sustainability

- Growing awareness about climate change and the impact of food on the climate and health, especially among young people
- More and more consumers open to changing their food consumption in order to reduce their carbon footprint
- Sustainable food consumption is putting high demands on changes in the food production chain

Issues such as responsibility, environmental impact and health are becoming increasingly important, and conscious consumers are manifesting their lifestyles through active food choices. More sustainable packaging, reduced food waste, food in season, social responsibility and traceability are becoming increasingly important considerations. Many customers want more information about the source, quality and ingredients of products.

Axfood's strategy for addressing this trend:



### Work approach



We will develop an innovative, customer-oriented and dynamic organization in which efficiency and cost control are in focus. Read more on page 30.

## 6. Digitalization

- Increase in digitalization and accelerated growth in e-commerce
- Customers who shop online are looking primarily for time savings and convenience
- Growth in e-commerce is being driven through major expansion by traditional actors
- The e-commerce business model is challenging, especially for pure-play online retailers and for home delivery

Digitalization is making an impact in all areas of food retail, from product development and purchasing to logistics, ways of working, marketing and the customer meeting. This means more automation and efficiency, but also a greater need for competence development. When the corona pandemic broke out, growth in e-commerce accelerated, and growing numbers of customers began shopping online, even seniors. According to the Swedish Trade Federation, online sales are expected to grow in the coming years. Changed shopping behaviours are opening up for new business models and businesses.

Axfood's strategy for addressing this trend:



### Our people



We will attract, recruit and develop the industry's best employees. Read more on pages 32–33.



## The Swedish food retail market

The food retail sector is an important part of Swedish industry and a large employer, providing a livelihood for more than 100,000 people. Young people account for roughly a fourth of these. In the countryside, grocery stores often serve as a community hub, offering in addition to groceries, also pharmacy, post and banking services.

The food retail market is relatively insensitive to economic swings and is driven largely by population growth and inflation. The market is mature, and the three largest actors – ICA, Axfood and Coop – together account for approximately 90% of sales.<sup>1)</sup>

In recent years, growth in the food retail industry has been strongest in the discount segment, where Willys is the leading actor. The discount segment represents 15% of the market and can be divided into two sub-segments, *hard discount* and *soft discount*. The biggest difference between the two consists of their offering and the breadth of their assortments. Between 2015 and 2019, average annual growth for the discount segment was more than 5%, compared with nearly 3% for the market as a whole.

In recent years sales of groceries online have grown rapidly. Still, e-commerce accounts for only a small share of the food retail market – close to 5% in 2020.<sup>2)</sup> In e-commerce, growth is considerably stronger for the store pick-up option than home delivery.

Axfood estimates that sales on the market excluding VAT for the store chains' amounted to approximately SEK 233 bn (227) in 2019. In 2020 the Swedish food retail market grew by a total of 7.6%.<sup>2)</sup> The market benefited from greater consumption at home during the corona pandemic, as many people opted to stay away from cafés and restaurants. However, the situation

was challenging for stores in certain geographic locations. Sales for cross-border shopping fell to very low levels after Norway instituted a quarantine requirement for travel from Sweden and kept it in force for most of the year. Stores in central urban locations experienced a sharp decline in customer traffic associated with increased remote working during the pandemic. Growth for e-commerce was exceptionally high and reached 95%, with a large inflow of new consumers.

<sup>1)</sup> During 2019 Coop acquired the Swedish store operations from discount retailer Netto.

<sup>2)</sup> Source: Swedish Food Retail Index (Swedish Food Retailers Federation in cooperation with HUI Research).

Market shares, Swedish food retail market 2019<sup>1)</sup>



<sup>1)</sup> Source: Axfood's estimate for the full-year 2019 based on public information. Market share data for Coop includes Netto, which was acquired in 2019.

## Segmentation of consumer market in Sweden 2019<sup>1)</sup>



<sup>1)</sup> Source: Axfood's estimate for the full-year 2019 based on public information.



## Swedish foodservice

The actors in the foodservice market provide groceries, beverages and kitchen supplies, and sell to restaurants, cafés, fast-food operators, business customers and the public sector. A large share of sales in the market go through distribution from wholesalers to customers, and only a few actors operate through physical stores. Direct distribution from certain producers accounts for a small share of sales.

The foodservice market is relatively consolidated and is made up of a few large actors and a large number of smaller specialists. Snabbgross focuses mainly on the private market, where the four largest actors – Martin & Servera, Snabbgross, Menigo and Svensk Cater – together account for approximately 90% of sales.<sup>1)</sup>

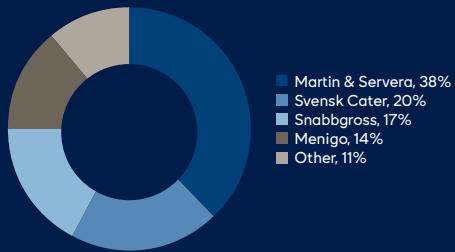
Sales in the private foodservice market decreased by more than 20% in 2020 and amounted to almost SEK 19 bn (24).<sup>1)</sup> The weak performance is attributable to the tough situation in the café and restaurant market, as many consumers have opted to stay away from cafés and restaurants during the coronavirus pandemic and consumed more food at home. Restrictions imposed during the pandemic put constraints on cafés and restaurants to conduct business as usual. Certain segments of the restaurant market were impacted more negatively than others, including cafés, hotel restaurants, roadside restaurants,

and entertainment restaurants, pubs and bars.<sup>2)</sup> Fast food and lunch restaurants showed comparatively good performance in this context. During the year many cafés, restaurants and other business customers chose to shop at stores, as accessibility and flexibility were necessary in view of the uncertainty surrounding demand in the market.

<sup>1)</sup> Source: Delfi Marknadspartner AB. Private foodservice market, index Jan.–Dec. 2020/Jan.–Dec. 2019.

<sup>2)</sup> Source: Statistics Sweden.

Market shares, private foodservice market in Sweden 2020<sup>1)</sup>



<sup>1)</sup> Source: Delfi Marknadspartner AB. Privata foodservicemarknaden, index Jan.–Dec. 2020/Jan.–Dec. 2019.





# Our targets and outcomes 2020

Axfood manages and continuously monitors the Group's operations based on a set of strategic Group-wide targets. By maintaining a strong financial position and sustainable operations, scope and conditions are created for long-term profitable growth.

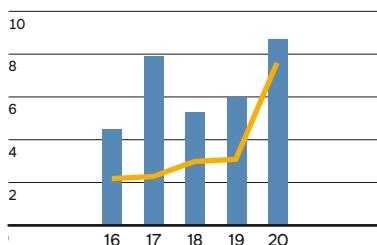
## Financial targets

### Growth

**Target: > market**  
**Outcome: 8.7%**

Axfood will grow faster than the market. During 2020 Axfood's store sales increased by 8.7% (6.0%), while growth for the market was 7.6% (3.1%), according to the Swedish Food Retailers Federation. Axfood thereby grew more than the market and increased its market share, which is in line with the Group's target.

#### Growth in store sales, %

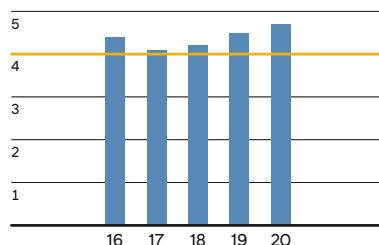


### Profitability

**Target:  $\geq 4\%$**   
**Outcome: 4.7%**

The operating margin will be at least 4% over the long term. In 2020 the operating margin was 4.7% (4.5%), which is in line with the Group's long-term target.

#### Operating margin, %

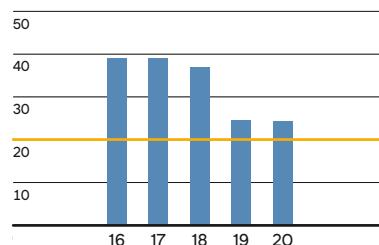


### Equity ratio

**Target: 20%**  
**Outcome: 24.3%**

As a consequence of adoption of IFRS 16, the equity ratio shall amount to at least 20% at year-end. As per 31 December 2020 the equity ratio was 24.3% (24.6%), which is in line with the Group's target.

#### Equity ratio, %



# Sustainability targets

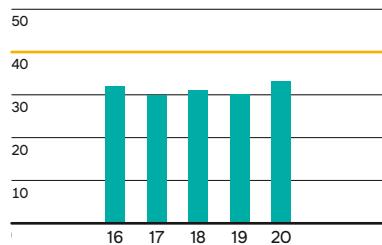
## Gender equality

Share of women in management positions

**Target: 40%**  
**Outcome: 33%**

Axfood will have an even long-term gender balance in management positions, defined as such that men and women will be represented within a range of 40%–60%. In 2020 the share of women in management positions was 33% (30%).

### Share of women in management positions, %



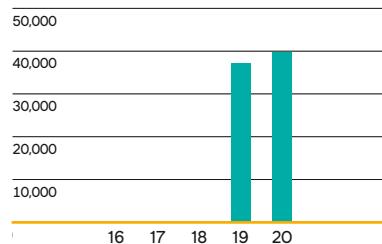
## Carbon footprint

Greenhouse gas emissions

**Target: net zero**  
**Outcome:**  
**39,754 tonnes**

Axfood will have net zero emissions from own operations by 2030 at the latest. In 2020, greenhouse gas emissions amounted to 39,754 tonnes CO<sub>2</sub>e. Up until 2020 the target was also to reduce the carbon footprint from own operations by 75% by 2020 (base year 2009) and to be climate-neutral by 2020.

### CO<sub>2</sub> emissions, tonnes of CO<sub>2</sub> equivalents



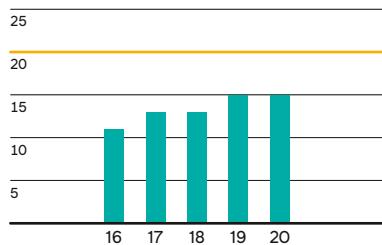
## Diversity

Share of managers with international background

**Target: 20%**  
**Outcome: 15%**

Axfood's target has been that at least 20% of Axfood's managers will have an international background by 2020. In 2020, 15% (15%) of Axfood's managers had an international background.

### Share of managers with international background, %



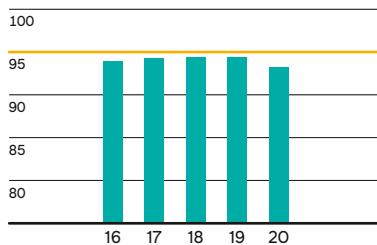
## Work attendance rate

**Target: 95%**

**Outcome: 93.2%**

The work attendance rate among Axfood's employees will be at least 95%. The work attendance rate in 2020 was 93.2% (94.4%). The work attendance rate was negatively affected during the pandemic. In 2020 a new target was adopted that Axfood's sickness-related absence rate will be less than 5.3%.

### Work attendance rate, %

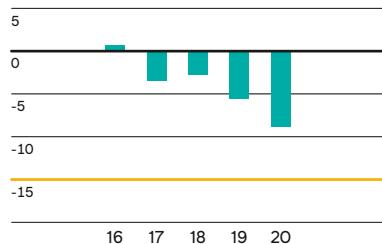


## Change in electricity consumption

**Target: -15%**  
**Outcome: -8.8%**

Axfood's target has been to reduce its electricity consumption by 15% per square metre of store and warehouse space by year-end 2020 (base year 2015). During the period electricity consumption per square metre decreased by 8.8% (5.6%). In 2020 a new target was adopted to reduce electricity consumption by 10% per square metre by 2025 (base year 2020).

### Accumulated change in electricity consumption, kWh/m<sup>2</sup>, %

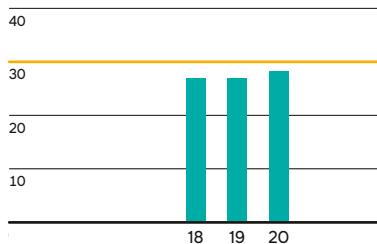


## Share of sustainability-labelled products

**Target: 30%**  
**Outcome: 28.3%**

By 2025 the share of sustainability-labelled products as a percentage of the Axfood Group's stores sales will amount to 30%. In 2020 sustainability-labelled products accounted for 28.3% (26.9%) of total sales. The definition for this key performance indicator was set in 2019 and comparison figures for the years prior to 2018 have not been calculated.

### Share of sustainability-labelled products, %



For more information about and definitions of Axfood's targets in the sustainability area, see pages 108–109 and 113–117.



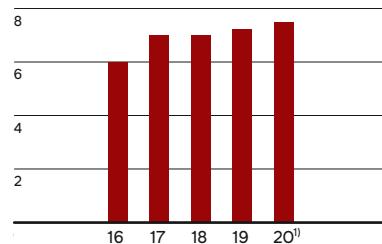
# Seven reasons to invest in Axfood



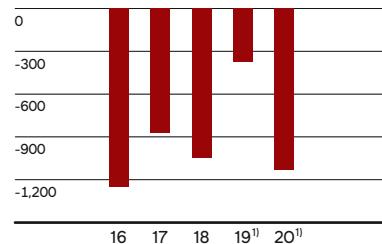
Total return the Axfood share, index



Dividend per share, SEK

<sup>1)</sup> Proposed by the Board of Directors

Net debt receivable, SEK m

<sup>1)</sup> Excluding IFRS16



# 01

## Sweden's population is growing – more people need to eat

The food retail market is relatively unaffected by economic swings and is driven largely by population growth and inflation. Sweden's population is one of the fastest growing in Europe and is projected to reach more than 11 million by 2030 and nearly 13 million by 2070, according to Statistics Sweden. Food price inflation in 2020 was 2.1% according to preliminary data from Statistics Sweden.

# 02

## Axfood's strategy is addressing the market's drivers and generating profitable growth

Axfood has a clear strategy for addressing the trends in the market through concrete priorities in six focus areas: the customer meeting, the customer offering, expansion, the supply chain, work approach and our people. The goal is to grow more than the market with a long-term operating margin of at least 4%.

# 03

## House of well-positioned brands

Axfood is a house of brands with strong positions in their respective segments. Having distinctive food concepts is a way of meeting customers' varying needs and diversifying risk. Willys is the leader in the discount segment, Hemköp is a strong actor in the traditional grocery segment, and Mat.se simplifies daily life for e-commerce customers. Through Snabbgross and Urban Deli, Axfood is firmly established in the café and restaurant market. With Apohem, the Group also has a position in the online pharmacy market.

# 04

## Sustainable economies of scale and close collaboration

Economies of scale and cost efficiency are achieved through close collaboration within Axfood between the central functions and Group companies. Dagab is the joint purchasing and logistics company, setting high demands for price, quality and sustainability. Efficient and modern logistics convey many advantages and create conditions for profitable growth and a continuous improvement of the customer offering. Major emphasis is put on cultivating good relationships with suppliers and increasing control and responsibility across the entire supply chain. Axfood's central IT function plays a crucial role in continuously developing the Group's digital services, operations and ways of working.

# 05

## Channels and formats that simplify and attract more customers

The physical stores are the heart of Axfood's business. At the same time, the strong growth online shows that customers appreciate Axfood's various e-commerce concepts. With a clear expansion plan, focus on developing the customer meeting regardless of channel, and development of sustainable and easy meal solutions, Axfood is catering to customers' evolving behaviours in the food retail market.

# 06

## Strong financial position and stable cash flow

Axfood has a solid balance sheet, and the business model generates stable cash flow. During the last five years the dividend has averaged 91% of profit after tax. According to Axfood's dividend policy, the shareholder dividend is to be at least 50% of profit after tax. The dividend is paid out on two occasions. Axfood's gearing is low, and excluding the accounting effects of IFRS 16, the Group reported a net debt receivable at year-end.

# 07

## Positive force in society

Axfood has long been working to be a positive force in society. This means offering good and sustainable food for everyone and being an inclusive business that is conducted in a responsible way, not least with respect to climate impact. Through its private labels Axfood launches innovative products and eagerly takes the charge for sustainability. Decision-makers, politicians and authorities are engaged in an ongoing dialogue on how the industry can be developed.

# Three processes from product selection to customers

Axfood's business model covers three areas: purchasing and assortment, logistics, and sales channels and concepts. The customer is always in focus, and all details – from initial supplier contact to when a product ends up in the customer's basket – are important. In every area of the business model, value is created for Axfood and the Group's stakeholders.



## Axfood's logistics

Dagab is responsible for the Axfood Group's logistics flow. In all the Group has eight warehouses serving stores and two dark stores, with an average inventory turnover rate of 33 times per year. Products from various suppliers are distributed from the store warehouses to grocery stores – both the Group's own as well as to external customers. Deliveries are made to some 7,000 stores and business partners across Sweden. The two largest distribution centres are in Backa, outside Gothenburg, and Jordbro, outside Stockholm. The Group's dark stores fulfil orders for Axfood's e-commerce customers in the Stockholm and Gothenburg regions.

## 1 Purchasing and assortment

**Choice of suppliers, price negotiations and purchasing**  
Axfood offers an attractive, efficient, wide and affordable assortment. Work with the assortment is always based on customer preferences, and the Group strives for long-term supplier relationships that emphasize price value, sustainability and innovation. Purchasing and product development are conducted through Dagab, the Axfood family's joint purchasing and logistics company, which is also responsible for the Group's assortment development. Through its private label products Axfood can ensure a distinctive and efficient assortment.

## 2 Logistics

**Modern and efficient logistics**  
Axfood works tirelessly on optimizing the product flow – from reception of goods and warehousing to customer delivery. The Group's level of automation is increasing steadily both in warehouses and stores. Efficient logistics with route planning and high capacity utilization in transports create conditions for profitable growth, energy efficiency and sustainable business. The Group is working on diversifying its delivery fleet and is increasingly turning to sustainable fuels and electricity as alternatives to fossil fuels.



## 3 Sales channels and concepts

### **Stores, customers and passion for food**

Axfood strives to meet its customers where they are with easily accessible, effective and attractive sales channels and concepts, both in physical stores and online. To meet customers' varying needs, the Axfood family of companies features distinctive food concepts with strong positions in their respective segments. Key aspects of creating a good customer meeting include inspiring stores, a rich offering of fresh products, and innovative and novel digital solutions. Sustainable business requires active work on preventing food waste while inspiring and making it easy for customers to buy good products.



# Clear direction for the future

With a strategic framework, concrete focus areas, a purpose-driven company culture and deep-rooted core values, we can offer affordable, good and sustainable food, make a difference and create value for our stakeholders.





## Our strategy

To be the leader in good and sustainable food, we are pursuing a strategy of growth-promoting and efficiency enhancing priorities. We drive growth by developing and offering an attractively priced assortment. Apart from growing sales at existing stores, key initiatives include continued expansion through the e-commerce roll-out and establishment of new formats and more

stores. We are striving to increase efficiency in the organization through a more data-driven work approach and persistent development of logistics solutions of the future. To stay at the forefront we need to continue building a culture that enables us to attract and develop the industry's best employees.



### Customer offering

We will offer our customers an attractive, efficient, wide and affordable assortment.



### Supply chain

We will be a driver of sustainable product supply with high efficiency and quality across the entire chain.



### Customer meeting

Through our brands and formats we will meet our customers' varying needs – no matter where, when and how the customer meets us.



### Work approach

We will develop an innovative, customer-oriented and dynamic organization in which efficiency and cost control are in focus.



### Expansion

We will grow in new and existing markets by establishing stores and developing new segments, categories and services.



### Our people

We will attract, recruit and develop the industry's best employees.

## Culture and core values

To meet new preferences from customers in a changing market and deliver in line with our business objectives, we need to continuously develop our company culture. Axfood has a shared view on how we interact with each other, our suppliers, and especially our customers. The Group's core values are the foundation for everything we do and apply for everyone in the Group, regardless of whether that entails working together within our own operations or with external partners.

#### The store is our stage

Always prioritize the customer and embrace change

#### Together we are stronger

Help each other, show appreciation, and rely on others' competence

#### We challenge

Strive for constant improvement, lead the way and take initiative

#### We are aware

Prioritize to maintain high quality and be efficient in our use of resources

## Sustainability in everything

We aspire to be and to be recognized as a strong force for change in society. Together with our owners, suppliers, customers and decision-makers in society we are a driver of progress towards more sustainable food consumption.

Good and sustainable food is at the heart of our business, and decisions in the name of long-term sustainability creates new business opportunities and profitable growth. Acting sustainably is about seeing the entire picture and tirelessly striving to improve. Sustainability is ensured in all parts of the value chain by safeguarding the environment, the food that is produced and sold in stores, and the people who produce, sell and consume it. Our ambition is to meet the needs of today's consumers without jeopardizing the future for coming generations. Read more about our sustainability work on pages 81–117.



### Customer offering

We will offer our customers an attractive, efficient, wide and affordable assortment.

# A good assortment for everyone

**Axfood offers a wide assortment of products that meet customers' diverse needs and preferences. A distinctive and relevant offering that enables everyone to enjoy affordable, good and sustainable food. To succeed at this we develop our own products and work in close collaboration with suppliers.**

Today's consumers are discerning and put high demands on quality and sustainability. At the same time they are looking for price value, inspiration and convenient meal solutions. With respect to sustainability, our customer surveys show that consumers also attach great importance to country of origin labelling, reduced use of chemicals and good animal welfare. In close collaboration with suppliers and producers we are continuously developing our customer offering.

Axfood's assortment consists of roughly 35,000 items, and thousands of supplier negotiations are conducted every year. Approximately 30% of the Group's sales consist of private label products that are produced in cooperation with almost 450 suppliers. Approximately 250 new products were launched in Axfood's private label assortment in 2020.

#### Clear focus on price value

Price value is important for our customers and something we always take into consideration. Within the respective brands' positions and market segments we are building our customer offering upon an efficient and attractive assortment with a distinct price point.

We challenge both ourselves and our suppliers, and we use our strong position and wide assortment to promote sound competition and long-term value creation. Assortment and category work revolves around our various concepts and their respective customer groups. Category growth and customer satisfaction are achieved by allowing strong, global and national brands to be displayed side by side our private label products on store shelves. With this mix we challenge our suppliers as well as ourselves in everything from quality to price. Collaboration with the two purchasing organizations European Market Distribution (EMD) and United Nordic contributes to economies of scale and ensures a wide and relevant offering.

#### Distinctive private label products

Axfood's extensive array of private label products gives a significant competitive edge. They contribute to profitable growth by adding to an inviting and distinctive assortment that

strengthens our grocery concepts. Assortment developers are innovation-driven and use emerging trends, niches in the market and customer data as a springboard to develop products that are the forefront of food trends, health and the environment. Product samples are discerningly tested, and an external consumer panel samples a large share of products before they advance to production.

The Group's offering of meal solutions is continuously evolving to meet steadily rising consumer demand. Meal solutions are developed under our private labels at the same time that we are expanding our offering of warm food in stores. During the year Garant launched three new vegetarian meal solutions based on Swedish-grown protein crops, in cooperation with Axfoundation, an independent non-profit organization working practically and concretely towards building a sustainable society, and Svensk Baljväxtfärds, a maker of legume mince. In 2020 Axfoundation won an award as Sustainability Initiative of the Year at the Food Retail Gala for its work with foods of the future, including legume mince.

#### Garant and Eldorado at the forefront

Of Axfood's 22 private labels, Garant and Eldorado are the most strongly positioned with respect to price and quality. Garant has a distinct sustainability profile and is regarded as a trusted choice with respect to quality. Eldorado aims to be the best discount alternative with a focus on basic and bulk products. The products are quality assured and meet our sustainability requirements with respect to social conditions, the environment, transports and animal welfare at the same time that they are often sourced from a broader base and have a more inviting design and appearance.





## Passion for food and fellowship in the new culinary studio

During the autumn of 2020 Axfood opened its new culinary studio at the Group's head offices in Stockholm. It is the new gathering point for quality assurance staff, assortment developers, sensory coordinators, buyers and menu planners from Dagab

and Middagsfrid, who are working together to ensure the Group's development of good and sustainable food.

"We are sharing our work and inspiring each other," says Helena Eshammar, menu planner at Middagsfrid. "For us at Middagsfrid it is very

helpful that we can now gain even better insight into the work being conducted within Dagab, especially since we use many of the Group's private label products in our meal kits."

To uphold the distinct profiles of the Garant and Eldorado brands, we complement these with a number of other private labels that all serve their own functions. One such new private label in 2020 was Gastrino, with products for restaurants and foodservice operators. Gastrino was created to cater to the needs of Snabbgross's customers for a reliable foodservice brand at the same time that many of the products are also a good fit with the Axfood family's other chains and their customers.

### Transparency across the entire value chain

To maintain credibility among today's conscious consumers, food retailers need to exercise greater transparency surrounding the assortment's entire value chain. We are striving to stay at the forefront in this regard by raising the general standard for the industry. We require that our approximately 1,500 suppliers around the world adhere to our Code of Conduct in the areas of human rights, working conditions, the environment and anti-corruption. We are working with the global aid organization Oxfam to improve living wages for workers throughout the supply chain. During 2020 focus was addressing suppliers' challenges during the coronavirus pandemic. Read more about our sustainability work in the supply chain on pages 99–102.

### Fast track for locally produced foods in our stores

Consumers are taking an ever-greater interest in locally produced foods, and our work continues on being able to offer a rich selection of locally sourced products in our stores. To help small food producers who have been hard-hit by the effects of the pandemic, Dagab opened a fast track to speed up the process from initial contact with vendors to have their products included in the assortment. This initiative has been appreciated and resulted in some 200 new product proposals during the year, of which 150 were approved, and 40–50 products made their way to store shelves.

### Priorities 2021

- Develop and strengthen the assortment of affordable, good and sustainable food
- Strengthen the price position
- Develop the offering to address sector convergence
- Develop new customer offerings



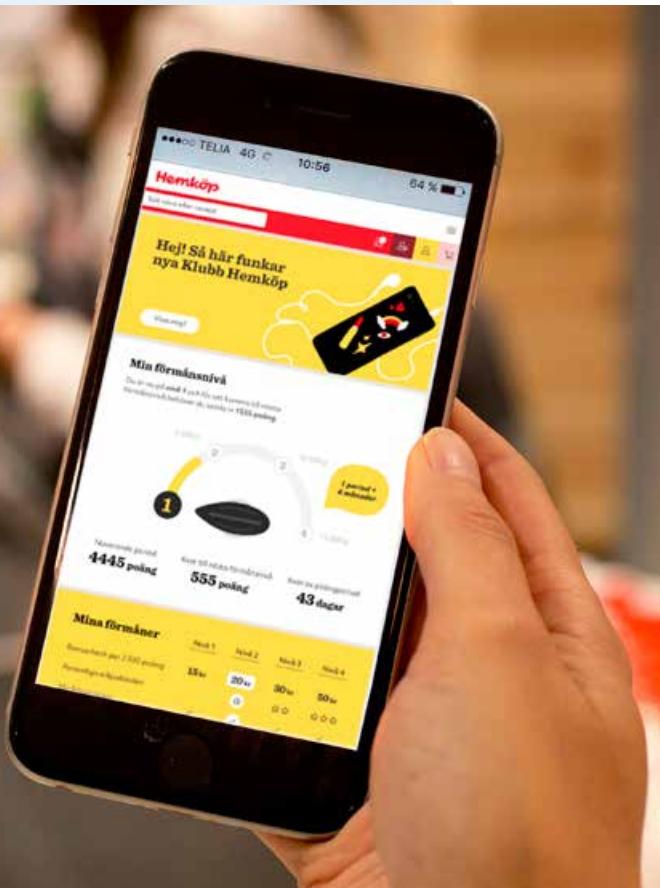
### Customer meeting

Through our brands and formats we will meet our customers' varying needs – no matter where, when and how the customer meets us.

# Our customers in focus

**It should be easy and convenient for our customers to shop for affordable, good and sustainable food, no matter the time, place or circumstances. With a breadth of brands we're making sure we are there for all our customers – seamlessly and regardless of sales channel.**

Everyone has different needs and preferences. Demographics, budgets, daily routines and family situations are just a few of the many factors that influence how our customers prefer to do their grocery shopping. At Axföod we therefore take care to offer a variety of concepts and channels that allow our customers' own preferences to steer their food purchases.



### Modern and accessible stores

Our stores must be accessible for customers so that it is convenient and easy to shop with us. With the help of future forecasting, a broad contact network in the real estate sector, own forecasts based on data analytics and our own customer data we can identify areas where our store concepts can add value. Just as important as that our stores are at the right locations is the personal customer meeting, where our employees are our front-line ambassadors.

The work on upgrading existing stores is continuously ongoing, to ensure we give our customers the best possible in-store experience. In addition to continuous improvements to create inspiring store environments, normally our stores are modernized every five to seven years.

### Broad e-commerce offering

Axföod has a strong digital presence with a mix of omnichannel actors and pure-play e-commerce retailers, which means that we can meet different customer groups through a breadth of brands. It is important that customers feel at home in the respective brands and find the same prices online as in stores. The various food concepts therefore reflect the same market positions online as in our physical stores. With e-commerce growth that exceeded the market in 2020 we clearly see how more and more customers and new customer groups appreciate our digital presence.

An important aspect in e-commerce involves catering to customers' varying preferences for how, when and where they want their orders delivered. Our food concepts offer flexible delivery options. In addition to home delivery, the store pick-up alternative, or click & collect, is appreciated by customers and the delivery option that has grown the fastest in the market. During the year Willys launched a pilot whereby customers can choose to pick up their orders from mobile lockers placed at selected service stations in the greater Stockholm area.

### New loyalty programme at Hemköp

Willys and Hemköp have fully digital and cardless customer programmes, together with more than 4 million customers as members. Attractive and personalized offerings based on customers' shopping histories are directed digitally to customers, and during the year Axföod continued to develop personalized offerings to make them more relevant.

In October Hemköp launched Klubb Hemköp, its new loyalty programme. Hemköp is working ambitiously with sustainability issues, and the more than 1.7 million members in the new customer club are being inspired to take positive action in more areas. As with the previous programme, points are awarded for all purchases, but one new feature is that extra points are



awarded for sustainable choices, such as by buying fresh fruit and vegetables or switching over to digital receipts. Awareness about the impact of food on the climate, environment and health is growing, especially among young people, and the new customer club is helping Hemköp strengthen its position in the market. A solid increase in new membership during the first months after the launch of Klubb Hemköp shows how a personalized and responsive customer programme is opening paths for new customer meetings both online and in stores.

#### Continuous development of the digital customer meeting

To meet evolving customer needs we are working on developing our core business as well as with development and innovation in new areas.

Self-scanning, digital signage and wireless networks are a few examples of how stores are being digitalized. Within the Group, work is being conducted cross-functionally to explore and test new ways of using digital tools to support customers' in-store experience. Self-scanning and mobile payment were introduced in a number of Willys and Hemköp stores during the year. In addition, a rollout of new payment terminals in stores began, which will streamline the shopping process and enable additional payment options.

During the year, Mat.se introduced co-deliveries of groceries and pharmacy products in collaboration with Apohem as well as a new concept that allows customers to complement their orders with prepared dishes from their favourite restaurants. In addition, Mat.se was first out in Sweden to offer voice-steered personalized shopping in a pilot with Google Nest Hub.

#### Quick adaptation with focus on customer safety

When the coronavirus pandemic broke out, the food retail industry's central and societally essential role in supplying the

entire country with food and groceries became especially clear. Our operations quickly adapted to meet changed preferences and a surge in demand with a strong emphasis on the health and safety of our customers and employees. With measures such as designated opening hours for at-risk customers, plexiglass shields and barriers in checkout lanes, congestion hosts, enhanced cleaning and hygiene routines, placement of hand disinfectant dispensers and clear signage to remind customers about social distancing, we made it possible for our customers to shop as safely as practically possible.

During the most intense period of the pandemic, Axfood saw a need to think in new ways to ensure food supply for the most exposed groups of people. In just one week Matjouren was launched, a temporary digital store giving at-risk customers access to fast deliveries of ready-packed grocery bags.

Also during the year, Axfood provided funding to GodHjälp ("Good Help"), an organization dedicated to helping at-risk people shop for groceries and pharmacy products. To increase accessibility to food during the pandemic, Snabbgross opened up more than half of its stores for sales directly to consumers. Urban Deli also took steps to make its restaurant food available for more customers and opened e-commerce during the year.

#### Priorities 2021

- Strengthen the digital customer meeting
- Strengthen Hemköp's position in the market
- Modernize the store network
- Develop the customer meeting with respect to sustainability based on the respective brands' positioning

**Expansion**

We will grow in new and existing markets by establishing stores and developing new segments, categories and services.

# We are growing for the future

**Axfood's growth target is to grow more than the market. This will be achieved through continued establishment of new stores, a broadened e-commerce offering and development of operations in general.**

Apart from increasing sales in existing stores, we are growing by establishing new stores and expanding the e-commerce roll-out to more cities and stores. In parallel with strong e-commerce growth during the year, the pace of new store establishment was high.

**New establishments in attractive locations**

Axfood has a wide store presence throughout Sweden, in major cities as well as the countryside. The geographic location and infrastructure surrounding a physical store are of major importance for reaching customers. What is crucial for a successful establishment is to have a clear strategy for identifying locations that makes us accessible and easy to reach for consumers. We analyse movement patterns and purchasing power to estab-

lish the right concept in the right place. Certain establishments take place in municipalities that are new for Axfood, while other stores may be established in new and attractive city areas. During the year, in line with our goal we opened nine new Group-owned stores and two Hemköp franchises.

**Rapid growth in e-commerce**

Our wide store network offers customers a high degree of accessibility, even for pickup of online orders. Interest in

**"We want to grow both with more Willys and Willys Hemma stores and through expansion of our e-commerce. During 2020, we reached a milestone and now have pick-up stations in more than 100 of our stores – with more to come."**

Thomas Evertsson, Managing Director Willys.



The new Willys store in Sköndal in Stockholm that opened in 2020.



online grocery shopping increased sharply during the year in connection with the coronavirus pandemic, and we outpaced the market with e-commerce growth of a full 112%. Particularly exceptional was growth in the click & collect delivery option, which is growing considerably faster than home delivery for the Group's store chains as well as for the market as a whole.

During 2020, online shopping was rolled out to an additional 26 Willys stores and 29 stores in the Hemköp chain. At year-end 104 Willys stores in 65 cities and 48 Hemköp stores in 30 cities offered online shopping. The online grocery store Mat.se offers home delivery of groceries to consumers in the greater Stockholm and Gothenburg areas. Middagsfrid offers a range of pre-packed grocery bags complete with recipes. All 26 Snabbgross stores offer e-commerce to their business customers. Apohem experienced strong growth during the year and sharply increased its customer base.

#### **Snabbgross Club – an entirely new concept**

In addition to new stores and a greater e-commerce presence, the Axföod family added a new store concept during the year with the grand opening of the first Snabbgross Club store during the autumn in the Enebyängen shopping area north of Stockholm. As a Snabbgross Club member, private persons can buy food and household items directly from the restaurant wholesaler and gain access to a unique and attractively priced assortment in bulk packaging as well as customized special offers. For business customers the store works like any other Snabbgross in addition to allowing these customers to join the membership club and benefit from the favourable offerings.

#### **Conversions in Hemköp and Tempo**

The number of Hemköp franchise stores can vary somewhat from year to year depending on agreements and continuous evaluation of which form a particular store can best strengthen Hemköp's position in the market. Hemköp has a financing

**"It feels very exciting to launch a new store concept aimed at private customers. We have identified a consumer need to be able to shop for high-quality groceries, cooking ingredients and household goods in bulk packages and attractive prices. With Snabbgross Club we can meet this need and further develop our business and at the same time increase accessibility for our business customers."**

Eva Pettersson, Managing Director, Snabbgross.

programme called 91/9 to enable chosen store managers to acquire a store. The store manager initially owns 9% of the store with an option to buy the entire store company except for one share, which continues to be owned by Axföod. During the year two Hemköp stores were converted to retailer-owned stores.

To further develop and expand the Tempo chain, Axföod's Annual General Meeting resolved to allow employees of Tempo stores to acquire shares in store companies and thereby over time have the opportunity to become independent franchisees.

#### **Priorities 2021**

- Expand store network
- Expand e-commerce
- Accelerate pace of establishment for Willy Hemma
- Establish and develop Snabbgross Club



### Supply chain

We will be a driver of sustainable product supply with high efficiency and quality across the entire chain.

# Clear steps toward the logistics of the future

**Changed consumption patterns, more digitalization and the importance of contributing to a sustainable future are driving development toward a more sustainable and efficient supply chain. Ten own warehouses and a well-developed fleet of own delivery vehicles ensure product supply to stores and e-commerce customers throughout Sweden.**

During the year large leaps were taken forward to create the best conditions for sustainable, efficient and competitive logistics of the future. Work on the new, highly automated logistics centre in Bålsta, north of Stockholm, proceeded on schedule, and efficiency in the Group's joint dark stores improved.

#### Modern and efficient logistics

Dagab's logistics operation is the heart of Axfood's logistics flow. From eight store warehouses goods are distributed to the Group's own stores and external customers, such as retailer-owned stores and convenience retailers. Two dark stores handle home deliveries for Axfood's e-commerce business in Stockholm and Gothenburg. Dagab's delivery fleet is made up of 150 heavy duty trucks that deliver goods from the Group's store warehouses. Approximately half of all volume is handled by the Group's own fleet, which has a number of advantages, including that Axfood can use its own transport knowledge and experience to set high demands on the transport services that it procures externally. In addition to its heavy trucks, Dagab has 110 light trucks and vans for e-commerce deliveries.

#### Logistics centre in Bålsta taking shape

Construction of the Group's future, highly automated logistics centre in Bålsta continued on schedule during the year. The logistics centre will be one of the largest and most modern of its kind in Europe and will lead to increased productivity. The investment is unique as it will gather the entire flow and processes for stores, e-commerce and convenience retailing under one and the same roof. The logistics centre will handle all temperature zones and contribute to further optimization of the product flow through a faster and more flexible supply chain. Through Axfood's omnichannel solution, the underlying processes will also be made more efficient, which will help reduce food waste. The logistics centre will handle 60% of Dagab's volumes, plus space is being built to further increase capacity by at least 40% compared with 2019 volume. The new capacity will affect the current geographic structure, and warehousing

operations in Skellefteå, Borlänge, Örebro, Sätra, Jordbro and Årsta will all be moved to Bålsta.

During the spring a service agreement was signed with the automation provider Witron that regulates the division of operations between Dagab and Witron for future cooperation. The automation layout was completed, and framing work was begun, and by year-end framing had been completed for roughly 40% of the total building.

#### Continued development of e-commerce logistics

Development of e-commerce logistics continued during the year, and home delivery volumes for Willys, Hemköp and Mat.se in the Gothenburg region were gathered in a joint dark store in Västra Frölunda. At the same time, the area in the dark store



in Årsta was doubled, creating greater capacity for Axfood's e-commerce concepts in the Stockholm region. In addition, during the autumn Apohem moved in to the Årsta warehouse to create opportunities for continued growth. These investments in the dark stores are creating synergies in the logistics function and providing effective support for the respective e-commerce concepts' customer offerings. The dark store in Malmö was closed at the start of the year as a result of low online volumes in the region.

Range of choices, speed and high delivery quality are challenges in the growing e-commerce business. Dagab's light trucks make thousands of home deliveries every day, and work has begun on increasing the number of vehicles powered by alternatives to fossil fuels.

#### More efficient transports through new transport solution

As a step in improving the efficiency of Dagab's transports, during the autumn implementation of the Group's new Transport Management System was begun. The new system enables route optimization, gives a broader overview of transport flows and manages flows both to stores and e-commerce customers. The system also offers customers improved order-tracking. An initial pilot was conducted to a limited extent with focus on purchases in to warehouses and deliveries to stores. In early 2021 a second pilot will be initiated, covering order-picking in stores and deliveries to consumers. The new system will then be gradually rolled out to all of Dagab's logistics units.

#### Green transition of delivery fleet

Emissions from own transports account for a large share of the Group's total carbon footprint. High demands are put on safe work and traffic environments and on reducing the carbon footprint by promoting eco-driving and transitioning over to sustainable fuels.

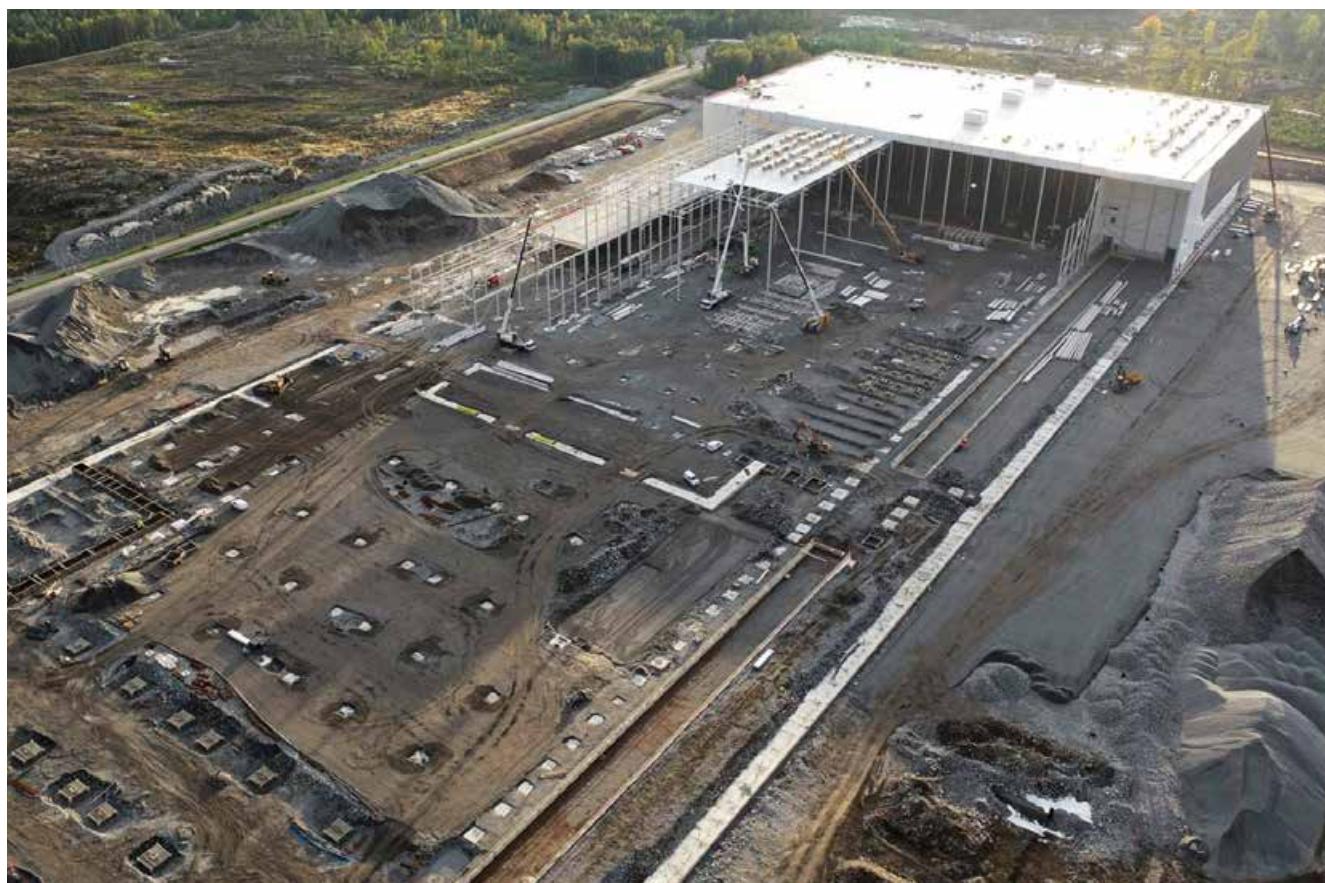
During 2020 a long-term partnership was begun with truck maker Scania to develop new solutions surrounding electrification of heavy transports. The partnership will enable us to jointly drive development forward by sharing various types of data, among other things. Investing and participating in the development of electric trucks is a key part of our work on becoming fossil-free. Today Dagab has three electric hybrid trucks in its fleet, with batteries that can be recharged during highway driving, allowing extended use of battery power in city traffic.

#### Stable product supply despite challenges

During the spring, pressure in the food retail sector was high as a result of strongly changed shopping behaviour among consumers. As a result of consumer stockpiling of staples, Dagab's warehouses were put to the task of handling some 2.5 million more cases than normal. Since similar consumer behaviour was encountered also in the rest of Europe, availability of certain products became strained by lagging production capacity, closed borders and sick leaves. Through efficient warehousing and transports as well as effective supplier cooperation, product supply was upheld despite this situation.

#### Priorities 2021

- Continued work on logistics centre in Bålsta
- Develop long-term logistics structure
- Develop and optimize transports for stores and e-commerce
- Streamline dark store for e-commerce deliveries



Work on Axfood's new, highly automated logistics centre in Bålsta, outside Stockholm, continued on schedule during the year.



### Work approach

We will develop an innovative, customer-oriented and dynamic organization in which efficiency and cost control are in focus.

# Smarter and more digital

Axfood along with the entire food retail industry is undergoing rapid digitalization. The coronavirus pandemic has further accelerated this development owing to greater demand for digital services and ways of working for employees who can work remotely.

To adopt more a more agile work approach we are cooperating cross-functionally between companies, departments and areas of expertise. In several areas and in all larger projects, steering committees have been established with representatives from across the Group to ensure we never lose overall perspective.

#### Data-driven organization

We are addressing the growing competition and new demands from our customers by working both faster and more strategically with our data, and a data-driven work approach is taking root throughout the entire organization. With the help of data and analytics we are making it easier for customers to find relevant products and offerings, and personalizing our communication.

We have invested in building up internal competence in advanced analytics of customer data in our category and purchasing work. Data analytics is allowing us to be better at managing the assortment and prices while making our offers more personalized for customers. Through advanced analyses



of customer data we can optimize our offerings in the respective customer segments.

#### Entirely new ways of working

All employees in the Group have their own digital identity, which creates favourable conditions for internal communication and target group-steered information based on the user's company affiliation, workplace and role.

In stores, a growing array of digital tools are being adopted to facilitate work for employees. Through a new time and staffing system we can analyse and optimize staffing and, for example, monitor sickness-related absences on a weekly basis.

The pandemic has accelerated the shift to more digital ways of working for salaried employees, too. Through digital training courses, guides and engaging content, employees in the Axfood family are urged to develop their digital literacy. According to the employee surveys that we conducted for salaried employees during the year, the flexibility afforded by working at home has been appreciated. The actual process of working from home has worked well on the technical level as well as in terms of employees' ability to concentrate and communicate, but slightly worse when it comes to the daily collaboration and interaction with colleagues.

#### Efficient and objective

With the help of robots, time-consuming administrative duties can be automated. This facilitates work and frees up time for other duties. Within Axfood robots are used to manage employment documentation, quality controls and employer certifications, among other things. Automating processes through Robotic Process Automation (RPA) is giving rise to a host of benefits. Processes are being streamlined and standardized at the same time that employees are relieved of time-consuming tasks and can spend more time on value-creating activities.

Our objective recruiting process is contributing to systematic change by countering unconscious bias and making sure we find the right people for the right positions.

#### Priorities 2021

- Future-proof processes and solutions for prices, the assortment and stores
- Promote efficiency and willingness to change through a digital work approach
- Increase degree of data-driven analytics and decisions
- Lower costs by creating a more efficient operational model



# Our employee promise

Our differences in the Axfood family serve as the underpinnings of a strong team and enable us to have an influence in our work today and tomorrow. Through our many food concepts, businesses, competencies and backgrounds we have the power to improve, develop and make a difference – for real.

## Five reasons to work at Axfood

---

### 01

#### **Development opportunities – we grow together**

Our success begins with you. We embrace talent and ideas in an environment where it is appreciated when you dare to think new. We encourage learning: if there's something you can't do, you can learn how. Growing and developing together with you enables us to lead the way and challenge an entire industry.

---

### 02

#### **Part of the team – welcome to the family**

The team spirit is strong in every company, and as members of the Axfood family we are always helpful and responsive to each other. Our family affiliation is a key reason why we go to work with passion and energy.

---

### 03

#### **Community engagement – we make a difference on matters big and small**

With us you have great opportunities to make an impact on the society we live in today and tomorrow. Initiative after initiative shows that we can make a big difference. We are looking for positive, innovative thinkers who together with us are driven to work with a sense of curiosity and engagement with food, the environment and people in mind.

---

### 04

#### **Passion for food and people – together for a better day**

We serve a vital function in society and are proud to be part of everyone's daily lives. Together with you we want to create a better day where everyone can enjoy affordable, good and sustainable food.

---

### 05

#### **Different concepts, one family – strength in our differences**

We are a unique group with distinctive food concepts that rest upon close collaboration. With us you have security and great development opportunities. With us you can cooperate and develop both on your own and with other companies in the family. Through our many backgrounds, competencies and experiences, together we form a strong team.

---

**Our people**

We will attract, recruit and develop the industry's best employees.

# A family of opportunities

**We continue to develop a winning culture in which our people thrive and develop. To attract the right competencies we need to stand out as a great place to work.**

Axfood has more than 11,000 employees (FTEs). The past year has shown that our strong values guide us through exceptional times and that we are living up to our core value *Together we are stronger*.

As a result of the pandemic, our core values have taken on even greater meaning for our Group. We have seen enormous engagement from employees, who together have rallied to ensure continuity of our societally essential business. We have

swiftly reprioritized, with employees temporarily switching work duties as well as workplaces and coming up with suggestions for new solutions. Creativity and a solutions mentality have flourished, contributing to a streamlined recruitment process that has enabled us to quickly bring in new employees to stores and warehouses and implement effective remote working solutions.

**We are growing together**

As an employer we encourage our employees to try different positions and roles within the Group. We also promote continuous learning on the job – digitally, locally and in smaller format. This is the focus for learning going forward.

Axfood Academy, with both internal and external instructors, is the Group's centre for continuing education and competence development. The academy's courses focus on various roles





in stores, warehouses and offices. Axföod Academy has long worked with the vision to move learning out into the operations, which research shows has the greatest effect. Many courses are conducted remotely, entirely or in part, and are also split up into several smaller modules – what we call learning journeys.

We are a growing Group that is in constant need of new leaders. Our learning journeys develop employees to potentially become team leaders and store managers. Through various activities such as instructor-led training, e-learning, manager coaching and various exercises performed in stores, we make it possible for hundreds of employees to prepare themselves to take the next step in their careers. During 2021 work will continue on securing internal competency for critical roles in stores with focus on the team leader and store manager roles.

#### We are a mirror of the communities we are part of

Axföod has a clear aspiration to serve as a mirror of the communities in which it works and to have a diversity of representation at all levels. We believe this is a great competitive advantage in today's culturally diverse society. Through a diversity of perspectives and ways of solving problems we become more innovative and knowledgeable. This makes us even better at meeting our customers' varying needs. Moreover, this goes very well together with what job candidates are looking for today, namely, meaningful work with values that match their own.

At Axföod we work with objective and fair processes for finding new employees, where competence rather than age, gender and background is what is important. Axföod works actively with succession planning to fill its pipeline of management candidates and achieve the Group's diversity and gender equality targets. Axföod's goal is that the balance between men and women in management positions will be in the range of 40% to 60%. We are therefore proud of our inclusion on AllBright's 2020 green list of gender-diverse listed companies. In Axföod's Executive Committee the gender balance is 50% between women and men.

The pandemic has shown among other things that food retail is a secure industry that is relatively insensitive to economic swings and that Axföod is flourishing with innovative strength and enthusiasm to make the best of the situation. Moreover, more people are applying to work with us from other sectors. During 2020 Axföod registered 305,349 applications for the 3,923 positions in total posted within the Group. This represents an average of 78 applicants per position.

Axföod's many stores offer job opportunities even for individuals without perfect command of the Swedish language. For employees who show a passion for retailing and store operations, Axföod offers many opportunities for development. During 2020 and 2021 Axföod is participating in a customized labour market training initiative in which prospective employees do internships at Willys and Hemköp stores in the greater Stockholm area.

#### A sustainable workplace

Axföod encourages and promotes measures for improved health and a higher work attendance rate instead of working reactively to absenteeism. In 2020 Axföod doubled its wellness subsidy for all employees. System support was also implemented for managers to help them address sickness-related absenteeism and rehabilitation. The system sends out reminders to managers when it is time to conduct a wellness talk with employees who have had repeated short-term absences due to illness. It also provides managers with support on how to address long-term sick leaves and guide them through the entire rehabilitation process. On top of the support this gives managers, it gives Axföod the opportunity to follow up sickness-related absences based on several aspects in order to then be able to take specific actions.

#### Priorities 2021

- Develop our culture
- Develop our leadership
- Develop competence
- Strengthen a sustainable work life



# Risks and risk management

Like all business activities, Axfood's business is exposed to risks. Risks can be broken down into operational, strategic and financial risks. Risks are something that affect Axfood's operations negatively, however, managed properly, they also add value. How risks are managed is of great significance for the Company's success.

## Risk management process

To prevent risks or mitigate their effects and loss, Axfood works with an established Enterprise Risk Management process, where risks are continuously identified, managed and reported within the Group. In this work, all risks are assessed from probability and consequence perspectives. Operational and strategic risks include sustainability risks.

Risks are assessed and documented by the respective risk owners at least twice a year as well as on a continuing basis where necessary. Assessment is made of the changed level of existing risks as well as of potential risks. Strategic risks, such as increased competition, sector convergence, changes in the assortment and other changes in the external business environment that can affect Axfood's strategic objectives, are managed in the Board's and management's continuing work.

Risks are classified according to how well countermeasures are implemented, and are colour-coded into red, yellow and green categories. The risk owners are the members of the Executive Committee, who are responsible for the risk maps in their respective areas. Axfood has a risk committee, which is headed by the Group's Risk Manager. The risk committee is tasked with, among other things, following up planned countermeasures and consolidating the risks identified by the respective risk owners. A compilation is made at the Group level, which coincides with respect to time with the Company's business plan and thereby facilitates budgeting for decided countermeasures. For a description of the organization, governance and reporting of Axfood's risk management, see the illustration below.

## Incident management

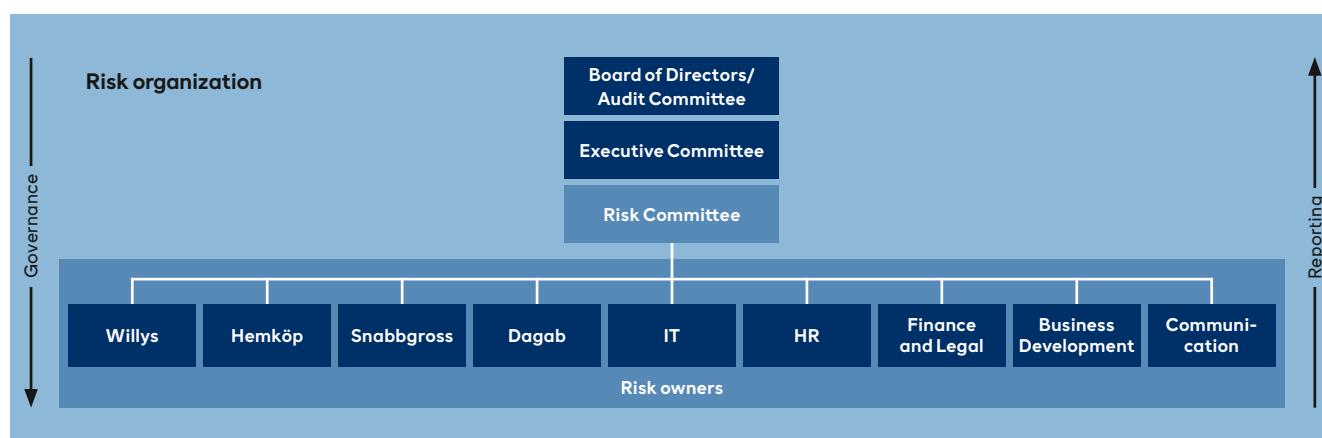
Incident reporting systems are in place for the Group. Through these a compilation is made that gives Axfood documentation for determining how operational risks are to be prioritized and managed effectively and systematically.

## Insurance

Axfood has Group-wide insurances that are reviewed yearly by an independent, external party. The insurances cover, among other things, property, business interruption, product liability, cyber attacks, transports, and directors and officers liability. Prior to 2021 Axfood renewed all of its insurances.

## Crisis management and continuity plans

The Axfood Group has crisis management plans in place for which drills are conducted on a regular basis by all of the companies' crisis management teams. These plans and drills are designed to ensure preparedness for a crisis and that the right actions are taken at the right time by the designated key functions. The aim is to minimize acute damage in a situation in which normal routines are insufficient. For events in which a crisis is drawn-out, Axfood works preventively and actively with continuity plans to minimize the duration of any business interruption.



## Strategic and operational risks<sup>1)</sup>

### Strategic risks

Risk	Main risks	Management	Trend	Insured <sup>2)</sup>
A	Market risks	Continuous analyses, e.g., customer and consumer surveys, which together with other analyses form the basis of the Company's strategies.	↔ →	n.a.
B	Acquisition risks	Very thorough market analyses of e.g., competition and demographics, where every investment calculation stretches over several years.	↔ →	n.a.
C	Supplier risks	Alternative solutions are evaluated on a regular basis. Multiple suppliers of a particular product or staple, and often also geographic diversification, result in lower risks in the event of potential disruptions. For high-risk suppliers, more frequent follow-ups are conducted of deviations that could result in disruptions. High demands are put on fire safety and financial stability among suppliers. A number of preventive projects are currently in progress in the area of sustainability.	↔ →	✓
D	Regulatory risks	Axfood has well-working system of internal control and takes an ethical approach in all areas. Axfood's Code of Conduct is described in more detail on the Company's website. For new laws or regulations, measures are decided on well in advance of enactment.	↔ →	✓
E	Employee risks	Axfood works continuously with succession planning. Strong focus on diversity work, zero tolerance for discrimination and offensive treatment, high focus on having a good work environment and work/life balance.	↓	n.a.

### Operational risks

Risk	Main risks	Management	Trend	Insured <sup>2)</sup>
F	Risk for disruption in the logistics chain	Very high focus is put on systematic fire safety work. Major emphasis on an effective fire safety organization with preventive measures such as training, pertinent routines, technical fire safety, and recurring inspections and follow-up.	↔ →	✓
G	IT and information security risks	Major emphasis is put on preventive work and continuity planning. Operations are secured through redundant systems with geographic spread of operations. Cloud strategy produced, 4G backup for stores. High awareness about information security issues, where training and technical solutions are examples of measures.	↑	✓
H	Risk for labour market conflicts	Coordination and dialogue via the employers trade organization. Typically long contract periods, which reduces the risk for conflict.	↔ →	✓
I	Liability and trust risks	Axfood conducts extensive quality and food safety work. Preventive work through far-reaching internal inspection programme and quality assurance of private label products. Clear routines for food handling.	↔ →	✓
J	Climate and environmental risks	Safeguard deliveries through purchases from different production areas. Continued high focus on development of the climate- and environmentally adapted assortment to attract conscious consumers and strengthen the Group's brands. To address challenges posed by extreme weather, deliveries are safeguarded through purchasing from different production areas.	↔ →	n.a.
K	Covid-19	Work on minimizing disruptions over the longer term is in progress, and the respective operations are monitoring and working continuously to deal with the effects of the pandemic. Top priority has been assigned to protecting health and safety of employees and customers at the same time that we live up to our societal responsibility to deliver food via stores and provide alternative shopping and delivery options for at-risk people in society.	▲	✓
L	Risks related to threats and violence	Extensive preventive safety work including training, routines, technical and human resources for being able to handle various situations, such as shoplifting.	▲	✓
M	Risks for errors in the financial reporting	A more detailed description of Axfood's work with internal control is provided in the Corporate Governance Report.	↔ →	n.a.

↑ Elevated risk   ↓ Reduced risk   ↔ → Unchanged risk   ▲ New risk

<sup>1)</sup>Financial risks, see Note 26. <sup>2)</sup>Fully or in part.



## Operational and strategic risks

### (A) Market risks

Axfood works in a competitive and dynamic market that requires a flexible and agile organization to meet new customer needs and behaviours. To stay up to date with competitors' activities and new trends, Axfood is constantly monitoring the market. For example, the Company conducts customer and consumer surveys on a regular basis, which together with other analyses form the basis of the Company's strategies.

### (B) Acquisition risks

Axfood both acquires and establishes new operations on a regular basis. If the conditions in the operations do not correspond to what was known prior to such decisions, there is a risk for a negative impact on Axfood's earnings and brand. With respect to acquisitions, it is also important to achieve successful integration and to retain key persons. All new store establishments and acquisitions are preceded by very thorough market analyses of the competition as well as demographics, where every investment calculation stretches over several years. In addition, issues in the external operating environment are analysed from ethical, social and environmental aspects, among other things.

### (C) Supplier risks

Axfood conducts extensive quality, safety and sustainability work particularly regarding its private label products, but also for other products in its assortment. Mapping of risks at the supplier level is based on a number of different dimensions such as work environment, water supply, child labour, union rights and animal welfare. Human rights challenges may arise in certain supplier countries. Quality assurance is conducted at several levels before a supplier is approved, and the selection criteria include suppliers' sustainability work. Purchasing is steered toward suppliers with developed sustainability work or a positive willingness to change. Axfood also makes recurring visits and/or conducts audits at suppliers to discuss product knowledge, product development, compliance with the Code of Conduct and, where applicable, to investigate and follow up any defects. A bankruptcy or serious fire at a critical supplier could result in disruptions in product flows. Therefore, alternative solutions are reviewed on a regular basis at the same time that high demands are put on fire safety and the financial stability of critical counterparties. To maintain and preferably strengthen customers' trust, it is also important to maintain good control of the supply chain. See also risk (K), Covid-19.

### (D) Regulatory risks

For Axfood it is of great importance to comply with laws and other rules and regulations as well as to conduct business in accordance with generally accepted business practice. Violations or negligence in these areas could harm the Company's reputation and result in sanctions as well as fines. For risk prevention purposes, a number of policies, a well-working system of internal control and an ethical approach to counter the soliciting or accepting of bribes and corruption have been established in all areas of the Group. Every supplier the Company enters into an agreement with is required to adhere to the Group's Code of Conduct or to have its own corresponding requirements. The Code of Conduct is an integrated part of the

purchasing process and is included in all supplier agreements, except for certain local suppliers, which are handled directly by store managers. In connection with new laws or regulations, measures are decided on well in advance of enactment.

### (E) Employee risks

Even a traditional industry like food retail is undergoing a high pace of change and digitalization. Change management, competence development and attracting sought-after competencies are growing increasingly important for the Group. One currently pertinent and major change facing Axfood is that certain of Dagab's existing warehouses will be replaced by a major, automated logistics centre in Bålsta.

Recruiting, developing and retaining competent and committed employees is highly important for Axfood and necessary for the Group's expansion and performance. To counter negative effects of key persons leaving the Group, Axfood works continuously with succession planning. Axfood also maintains great focus on diversity and inclusion through the entire Group. All workplaces are to be free from all forms of discrimination and offensive treatment, which is delineated in the Group's equal treatment policy. Axfood shall be an attractive and sustainable workplace where the focus on a constructive, healthy and inclusive work environment is fundamental.

### (F) Risk for disruption in the logistics chain

One of the most serious business risks that the Group must manage is for a disruption in the logistics chain, especially regarding fire in a distribution centre, which would result in property loss and business interruption losses. Axfood has very strong focus on its systematic fire safety work and puts great emphasis maintaining a well-working fire safety organization with preventive measures such as adequate training and pertinent routines, adapted technical fire safety measures and recurring inspections and follow-up. Another aspect that could affect the logistics chain is Axfood's IT structure; see more information under IT and information security risks (G).

### (G) IT and information security risks

Digitalization presents major opportunities that at the same time put greater demands on the ability to protect critical information and ensure stable IT operations. During the year all of society saw an increase in cyber security-related threats. There is a keen awareness in the Group that digitalization and centralization elevates vulnerability and the risk for a major operational disruption. This also applies to the centralized IT structure. Major emphasis is therefore put on preventive work and the surrounding organization as well as on planning for operational continuity in case of unforeseen events. In the event of a major IT disruption, IT operations today are safeguarded through duplicate resources and geographic spread of operations. Parallel with this, Axfood continuously reviews what can be done to further mitigate risks, among other things by adopting new technologies, such as artificial intelligence, to more effectively prevent virus attacks and intrusions. Axfood has implemented a cloud strategy aimed at considering cloud solutions in new projects and constantly monitors developments in the external operating environment. Axfood also works continuously on raising awareness of the risk of losing sensitive data. Information security in general is a priority area.

**(H) Risk for labour market conflicts**

Labour market conflicts, such as a strike or lockout in any area of the business, could result in operational disruptions. Negotiations of collective agreements for Axfood's operations are conducted through the auspices of the Swedish Trade Federation, in which Axfood is a member.

**(I) Liability and trust risks**

Axfood is one of the leading companies in the Swedish food retail industry, and its ability to meet stakeholders' expectations for quality, transparency, compliance with laws and standards as well as social and ethical norms is therefore crucial for trust. Examples of issues the Group deals with daily include food safety, hygiene, the cold chain and product liability for products that could cause property damage or personal injury. Should a serious defect be discovered in any of these areas, a risk would arise for financial loss as well as damage to the brand. Axfood works actively with these issues, among other ways through extensive internal inspection programmes at stores and quality assurance of private label products. Such an inspection programme entails that stores conduct certain daily arrival controls and temperature controls at the departmental level. Clear routines are in place, such as for handling unpackaged foods to ensure that food hygiene is maintained and to uphold the integrity of the cold chain. Failures in the environmental area, such as having excessively high levels of pesticides in foods or unsuitable chemicals in other products, could undermine trust in Axfood's brands.

For Axfood's competitiveness it is important to always develop the assortment according to customers' needs. This can entail, for example, offering sustainable foods such as organic and plant-based products. Axfood also has a large offering of food with the Från Sverige ("From Sweden") marking. Weak goal fulfilment in the area of sustainability could, over time, undermine customers' trust in the Axfood brand and the Group's various food concepts.

**(J) Climate and environmental risks**

The risk scenario with respect to environmental matters is multi-faceted and covers brand issues, availability of food ingredients as well as costs that may arise as a result of political decisions. Moreover, the development toward more environmentally conscious customers, combined with an inability to be sufficiently fast at adapting the assortment to customers' changed expectations, could lead to lower sales. However, risks are also opportunities for those in the industry that are far ahead of their competitors in addressing the risks.

Within Axfood it is not mainly the physical risks for impacts from more extreme weather events that are the dominant risks, even though in connection with e.g., new investments in warehouses, assurances must be made that buildings can withstand such situations. On the other hand, there is a tangible risk that more extreme weather could impede purchasing work. Another risk that should be taken into account is a failure to be sufficiently dynamic and develop the assortment in a high enough pace if customers' growing awareness about the climate issue were to change their consumption habits. This risk is just as much an opportunity if the Group is adept at developing the assortment in comparison with its peer competitors. Climate change can no longer be entirely prevented through climate policy measures, even though the opportunities to mitigate it is great. This means that the increase in extreme weather is pre-

senting an ever-greater challenge to food production. Drought, extreme heat, storms, floods and extreme cold can significantly reduce agricultural production in critical food producing areas. This can lead both to higher prices that affect sales and difficulties in sourcing volumes to meet customer demand. To meet these challenges it is becoming increasingly important to not be overly dependent on only one region in the world for specific food ingredients. To diversify this risk it is imperative that product supply is based on several geographic areas. Axfood will be gradually giving greater consideration to climate change in its purchasing work, which entails greater diversification of risk.

**(K) Covid-19**

The spread of Covid-19 in society has exposed Axfood's operations to a new dimension in its risk work. The risks that the pandemic has given rise to, including the risk for disruptions in the logistics chain, supplier risks and employee risks, have been managed within existing crisis organizations without any significant disruptions in operations. Top priority has been on the health and safety of employees and customers at the same time that the Group is living up to its societal responsibility to supply food and make alternative shopping and delivery opportunities available for people in society's risk groups. The work on minimizing disruptions over a longer term is continuing, and the respective operations are monitoring and working continuously to deal with the impacts of the pandemic.

The pandemic may have long-term impacts with the risk for higher unemployment and recession. This represents an uncertainty regarding the general level of consumption, which could affect Axfood, on top of the clear impact that the pandemic has had on cross-border shopping and the restaurant market.

**(L) Risks related to threats and violence**

The trend of increased violence and threats in society is also reflected in the situation for store employees. Within Axfood extensive preventive security work is being conducted, including training, establishment of routines, and deployment of technical and human resources to be able to deal with various situations, such as shoplifting in stores.

**(M) Risks for errors in the financial reporting**

Axfood continuously analyses and assesses risks that could lead to errors in the Company's financial reporting. Each year the Board of Directors decides which risks are essential to take into consideration in order to ensure satisfactory internal control over financial reporting. A more detailed description of the work with internal control is included in the Corporate Governance Report, pages 118–128.

**Financial risks**

The Axfood Group is exposed to financial risks in the form of financing and liquidity risks, interest rate risks, currency risks and credit risks. Every year the Board adopts a Group-wide finance policy that regulates the division of responsibility on financial matters among the Board of Directors, the Group CEO, the CFO, the central finance department and other Group companies. The Group's finance department regularly reports on the follow-up of the finance policy to the CFO and Board of Directors. For further information about financial risks, see Note 26.



# Administration report

## Axfood – a leading player in the Swedish food retail market.

### Axfood AB (publ), corporate identity number 556542-0824

The Board of Directors and President of Axfood AB (publ), with registered office in Stockholm, Sweden, herewith submit the annual report and consolidated accounts for the 2020 financial year.

#### Operations

Axfood conducts food retail and wholesale business in Sweden. Retail business is conducted through the Willys, Hemköp and Eurocash chains, and the online store Mat.se. B2B sales are conducted via Snabbgross. Dagab is responsible for Axfood's assortment, purchasing and logistics, and approximately 75% of sales are made to Group-owned stores. Dagab also conducts B2B sales to mini-marts, service stations and other convenience retailers. The Axfood family also includes Middagsfrid and Urban Deli, and partly owned Apohem. The number of Group-owned stores at year-end was 310 (304), including Snabbgross. During 2020, nine stores were established or acquired, and a net total of three stores were closed or converted to franchise stores. Apart from online sales via Mat.se, Willys, Hemköp and Snabbgross also offer online sales in several cities. Snabbgross also offers B2C sales in a membership-based store, Snabbgross Club. In addition to Group-owned stores, Axfood collaborates with a large number of retailer-owned stores that are tied to Axfood through agreements, including stores in the Hemköp chain, but also stores operating under the Tempo and Handlar'n brands. In all, more than 600 retailer-owned stores are tied to Axfood through agreements.

The assortment that Axfood offers its customers also includes private label products, where Garant is the brand with the most products in its assortment. Private label products as a share of store sales amounted to 30.9% (30.1%) in 2020.

#### Market

According to the Swedish Food Retail Index, the Swedish food retail market grew by a total of 7.6% in 2020. Growth in e-commerce was approximately 95%. E-commerce accounts for an estimated share of almost 5% of the Swedish food retail market during the year.

#### Important events

- A large part of the year was characterized by changed shopping behaviours among customers as a result of the coronavirus/Covid-19 pandemic. Greater consumption of food at home had a positive impact on sales for most of Axfood's businesses. However, certain businesses with exposure to cafés, restaurants and cross-border shopping as well as at central locations in larger cities were negatively affected.
- Simone Margulies took office as Managing Director of Hemköpskedjan in February.
- Karin Hedlund took office as Head of IT in November.

#### Net sales and earnings

Consolidated net sales totalled SEK 53,696 m (50,740), an increase of 5.8% (5.5%) compared with 2019. The increased net sales were mainly driven by higher sales for Willys. Of consolidated net sales, 77% (77%) consist of sales in stores and 22% (23%) consist of external wholesale volume. Store sales for

the Axfood Group increased by 8.7% for the year (6.0%), with a 6.9% rise (5.0%) in like-for-like sales. Net sales for e-commerce totalled SEK 2,827 m (1,333), an increase of 112%. The Group's gross margin was 15.9% (15.7%). Operating profit totalled SEK 2,510 m (2,288), corresponding to an operating margin of 4.7% (4.5%). The increase in operating profit is attributable to higher operating profit for Willys and Dagab, partly offset by lower operating profit for Hemköp and Snabbgross. Operating profit included SEK 2,252 m (2,146) in depreciation and amortization. For a breakdown of segmental performance, see pages 40–43.

Net financial items changed by SEK -1 m during the year, from SEK -115 m to SEK -116 m. The tax expense was SEK 531 m (494), corresponding to an effective tax rate of 22.2% (22.8%). Profit for the year after tax was SEK 1,862 m (1,679), or SEK 9.12 per share before dilution (7.87). For financial position and cash flow, see pages 46–48.

#### Capital expenditures

The Group's total capital expenditures amounted to SEK 1,031 m (1,481). Capital expenditures in the preceding year included a partial payment of SEK 510 m toward the automation solution for the highly automated logistics centre in Bålsta. Investments in right-of-use assets, mainly premises, amounted to SEK 1,725 m (971), of which SEK 693 m (325) pertained to newly acquired assets and SEK 1,032 m (647) pertained mainly to renewals of existing rental agreements for premises and upward indexing of rents.

#### Employees

Axfood had an average of 11,451 employees in 2020 (10,854). The employee breakdown was 53% women (53%) and 47% men (47%). The share of employees who work in the retail operations was 68% (71%), while the share who work in the wholesale operations was 28% (25%).

Axfood's employees are to reflect the diversity of the Group's customers and shall all have the same opportunities for development. In 2020, 26% (26%) of Axfood's employees and 15% (15%) of managers came from an international background. Gender equality is also part of diversity work, and Axfood's long-term goal is to have an even gender balance in management positions. In 2020 the share of women on the Executive Committee was 50% (30%).

The work attendance rate in 2020 was 93.2% (94.4%) in 2020, which is slightly below the 95% target and was negatively affected by the pandemic. For more information about employees and statistics, see pages 102–106.

Depending on what business they are engaged in, Axfood AB and its subsidiaries that conduct business activities are bound by at least one of the six nationwide collective agreements that have been concluded for the retail trade, warehousing and e-commerce, transport, food workers, hotel and restaurant workers, and salaried employees. All employees are covered by collective bargaining agreements, which regulate pay and terms of employment, such as notice periods for termination. The agreements typically also prescribe the importance of performance reviews for identifying needs for competence-raising measures. The 2020 round of wage negotiations was delayed because of the coronavirus pandemic, but negotiations were



resumed during the autumn, and all collective agreements were renewed during the autumn through spring 2023.

Every year a mapping of salaries is conducted within the Group to prevent inequitable differences in salary and benefits.

#### *Research and development*

Axfood does not conduct any research activities, but does conduct some development of IT solutions within its own operations.

#### *Significant risks and uncertainties*

Like all business activities, Axfood's business is exposed to risks. Risks are something that affect Axfood's operations negatively, however, managed properly, they also add value. How risks are managed is of great significance for the Company's success. The risks that could have the greatest impact on the Group are the risk for a disruption in the logistics chain, IT and information security risks, and liability and trust risks.

Other risks with a medium-high potential impact are supplier risks, employee risks, the risk for labour market conflicts, acquisition risks and regulatory risks. Axfood's strategic and operational risks are described in more detail on pages 34–37, together with the risk management process. Axfood's financial risks are described in Note 26.

*Share repurchases and transfers, and holdings of treasury shares*  
The 2020 Annual General Meeting resolved to adopt a new long-term share-based incentive programme that runs over a three-year period, LTIP 2020, which in all essential respects corresponds to the previous programmes' principles and scope. Full grant was made for LTIP 2017 in April 2020 using treasury shares. To secure the Company's obligation for conditional performance shares under LTIP 2020, during the second quarter of 2020 Axfood repurchased 258,000 shares for a total of SEK 53 m at an average price of SEK 206.46 per share. The holding of treasury shares thereby amounts to 672,108 shares and secures delivery of shares for all of the Company's incentive programmes.

A proposal has been drafted for the 2021 Annual General Meeting to introduce LTIP 2021, which corresponds in all essential respects to LTIP 2020. It is proposed that the programme will cover approximately 75 employees.

#### *Guidelines for compensation of senior executives*

Guidelines for compensation of senior executives are presented in Note 8. The guidelines were adopted by the 2020 Annual General Meeting and apply until the 2024 Annual General Meeting at the latest.

#### *Events after the reporting period*

No significant events have occurred after the end of the reporting period.

#### *Corporate Governance Report and Sustainability Report*

In accordance with Ch. 6 § 8 and 11 of the Annual Accounts Act, Axfood has elected to prepare the statutory Corporate Governance Report and Sustainability Report separately from the statutory Annual Report. The Corporate Governance Report is presented on pages 118–129, and the statutory Sustainability Report's scope is provided in the table on page 112.

#### *Future outlook*

In a changing market that is characterized by fierce competition, Axfood stands on solid ground to build further upon. To meet tomorrow's customers Axfood continues to develop its businesses at a fast pace in many areas. Work on the new, highly automated logistics centre in Bålsta outside Stockholm is proceeding according to plan. The logistics centre, which is planned to be fully operational in 2023, will be one of the largest and most modern in Europe for distribution of groceries both to stores and to e-commerce customers. The investment in automation for the highly automated logistics centre is expected to amount to EUR 240 m during the five-year period 2019–2023.

As a step towards a more sustainable and efficient transport model, collaboration is under way with Descartes on delivery of a new Transport Management System. The new system will improve transport optimization, provide a greater overview of transport flows, and will manage flows to stores and to e-commerce customers. The system also offers consumers improved order tracking.

Capital expenditures in 2021 are expected to amount to SEK 1,800–1,900 m excluding acquisitions and right-of-use assets, of which SEK 585 m pertains to partial payment for an automation solution and SEK 115 m pertains to land related to the new logistics centre in Bålsta.

The spread of Covid-19 has had and will continue to have a large impact on society and so also on Axfood's business. As society returns to a new normal state once the pandemic subsides, the dynamic in Axfood's markets are expected to largely return to the pre-pandemic situation.

#### *Proposed disposition of the Company's profit*

The Board of Directors proposes that, of the retained profits of SEK 2,364,404,186, SEK 7.50 per share be paid out in ordinary dividend. The dividend amount will be divided into two equal payments of SEK 3.75 each. The proposed dividend amounts to a total of SEK 1,568,989,530. This amount is based on the total number of shares outstanding in the Company less the Company's holding of treasury shares on the date of publication of the Annual Report. This holding will change before the second record date, in part owing to grants under the LTIP 2018 and in part as a result of the proposal for a 2021 long-term incentive programme, if adopted by the Annual General Meeting. Retained profits will be distributed as follows:

SEK	
Dividend	1,568,989,530
To be carried forward	795,414,656
<b>Total</b>	<b>2,364,404,186</b>

In reference to the above and to other information that has been brought to the Board's attention, the Board is of the opinion that a comprehensive assessment of the Company's and Group's financial position entails that the dividend is justified in view of the demands that the nature, scope and risks in the business place upon the size of the Company's and Group's equity and upon the Company's and Group's funding needs, liquidity and financial position in general.



# Willys – leader in the discount segment

**WiLLY:S** eurocash

Willys is Sweden's leading discount grocery chain, featuring a wide and deep assortment in Group-owned stores and online. With Sweden's cheapest bag of groceries, Willys aspires to lead and develop the discount segment of food retail. Willys also includes the cross-border grocery chain Eurocash.

## Development during the year

Willys continued to gain market shares during the year, and net sales for the segment as a whole grew 9.5% to SEK 31,793 m (29,029). Like-for-like sales increased by 7.9% (6.2%), driven by a higher average ticket value. A high pace of establishment, expansion online and strong market growth had positive effects on net sales. A sharp drop in sales for partly owned Eurocash in cross-border shopping dampened growth for the segment as a whole as a result of Norway's quarantine requirement for travel from Sweden. Willys continued to develop its offering and concept with expansion through new stores and online, and modernization of existing stores. The number of stores at year-end was 219 (213), of which 212 (206) were Willys and 7 (7) were Eurocash. 33 stores (27) were refurbished. At year-end Willys offered online shopping at 104 stores (78) in 65 cities (40). The private label share was 32.5% (31.7%).

Operating profit for the segment increased by 8.5% to SEK 1,551 m (1,429), corresponding to an operating margin of 4.9% (4.9%). Strong like-for-like sales for Willys' stores were countered by a negative result for Eurocash and higher personnel costs related to e-commerce.

## Business highlights 2020

- New e-commerce solutions were tested to increase accessibility for customers, such as placement of mobile click & collect lockers at service stations. New digital tools, such as self-scanning and mobile payment, were launched in stores.
- Waste of fruits and vegetables was reduced by 600 tonnes by offering customers waste-smart bargain boxes. Food waste was further reduced through donation of 150 tonnes of food to charity organizations.
- Willys gained a spot on the top ten list of companies in Sweden that have the highest reputation in a large survey.



## Key ratios

SEK m	2020	2019	Change
Net sales	31,793	29,029	9.5%
Like-for-like sales growth, %	7.9	6.2	1.7
Operating profit	1,551	1,429	8.5%
Operating margin, %	4.9	4.9	0.0
Number of Group-owned stores	219	213	6
Average number of employees during the year	6,109	5,603	506
Private label share, %	32.5	31.7	0.8



### Business concept

As the market challenger Willys aspires to lead and develop the discount food retail segment by offering Sweden's cheapest bag of groceries, with a wide and varied assortment.

### Vision

We live for everyone's right to good food – which is why we are Sweden's most highly recommended grocery chain.

### Willys

- 212 stores, of which 162 Willys and 50 Willys Hemma stores
- Retail area Willys: 1,100–4,700 sq. m. and Willys Hemma: 300–1,200 sq. m.
- Online shopping at 104 stores in 65 cities
- Assortment: approximately 9,000 items, Willys Hemma 5,000 items

### Eurocash

- Seven stores
- Retail area: 1,200–4,500 sq. m.
- Assortment: approximately 10,000–15,000 items



# Hemköp – passion for food and inspiration

Hemköp tempo

Hemköp offers an attractively priced and wide assortment with a rich offering of fresh products. Group-owned stores, franchise stores and online business aim to inspire good meals in a simple and thoughtful manner. Hemköp also includes Tempo, a mini-mart format comprising retailer-owned stores.

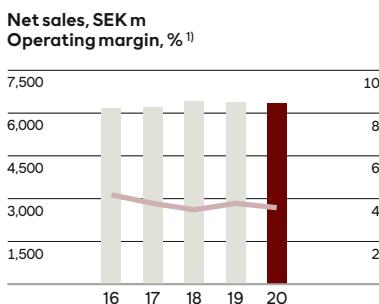
## Development during the year

Hemköp's net sales totalled SEK 6,354 m (6,378). Like-for-like sales for Group-owned stores increased by 2.8% (1.3%). Store sales including Hemköp franchises was SEK 15,178 m (14,177), an increase of 7.1% compared with a year earlier. A higher average ticket value and expansion online contributed to the favourable performance. Greater consumption of food at home during the coronavirus pandemic had a positive effect on sales, especially for stores near residential areas. The Group-owned Hemköp stores have a higher share of stores at central, urban locations and were negatively affected by a sharp drop in customer traffic, compared with the retailer-owned Hemköp stores, the majority of which are located near residential areas. The Tempo chain's stores showed very strong growth during the year. Hemköp considerably accelerated the pace of its e-commerce roll-out and at year-end offered online shopping at 48 stores (19) in 30 cities (9). The number of stores at year-end was 198 (196), of which 133 were retailer-owned (129) and 65 were Group-owned (67). The private label share was 26.3% (25.9%) during the year.

Hemköp's operating profit was SEK 229 m (243), corresponding to an operating margin of 3.6% (3.8%). The decrease in operating profit was mainly driven by sharply lower sales for a number of stores at central urban locations and higher personnel costs related to e-commerce.

## Business highlights 2020

- Simone Margulies took office as new Managing Director on 1 February.
- Launch of Klubb Hemköp, Hemköp's new loyalty programme.
- Rollout of the Axfood Group's joint back office system Axbo to the Tempo chain.



## Key ratios

SEK m	2020	2019	Change
Net sales	6,354	6,378	-0.4%
Like-for-like sales growth for Group-owned stores, %	2.8	1.3	1.5
Operating profit	229	243	-6.0%
Operating margin, %	3.6	3.8	-0.2
Number of Group-owned stores	65	67	-2
Average number of employees during the year	1,658	1,739	-81
Private label share, %	26.3	25.9	0.4



### Business concept

The personal grocery store, which in a simple and thoughtful manner provides inspiring food ideas to active families in their daily lives as well as on special occasions.

### Vision

The neighbourhood's most appreciated grocery store.

### Hemköp

- 198 Hemköp stores, of which 65 are Group-owned
- Retail area: 400–4,000 sq. m.
- Online shopping at 48 stores in 30 cities
- Assortment: 10,000–12,000 items

### Tempo

- 126 franchise stores
- Retail area: 300–500 sq. m.
- Assortment: approximately 4,500 items



# Snabbgross – restaurant wholesaler with strengthened position



Snabbgross is one of Sweden's leading restaurant wholesalers with a customer base of restaurants, fast food operators and cafés. Snabbgross offers personal service, accessibility and quality at its stores and online.

## Development during the year

Net sales for Snabbgross decreased by 0.7% during the year to SEK 3,417 m (3,443), mainly owing to weak performance in the café and restaurant market during the coronavirus pandemic. Performance for Snabbgross is however estimated to have been considerably better than for the market as a whole. Snabbgross' accessibility through its store network and attractive customer offerings resulted in an increase in the number of unique customers, many of whom appreciate the flexibility of being able to shop in stores. To offer an additional grocery shopping option during the pandemic, Snabbgross opened more than half of its stores for sales directly to consumers.

The number of stores at year-end was 26 (24).

Operating profit was SEK 150 m (167), a decrease compared to the prior year largely due to negative like-for-like sales growth. The operating margin was 4.4% (4.8%).

## Business highlights 2020

- Launch of Snabbgross Club, an entirely new store concept that gives consumers the opportunity to shop from the same assortment offered to restaurants and cafés.
- Two new Snabbgross stores were established. In Jönköping one store was established for business customers. In Stockholm a dedicated store was established for the Snabbgross Club concept.
- Update of Snabbgross's brand identity, including name adjustment and new visual profile.
- Introduction of Axfood's new Gastrino private label at Snabbgross.



### Business concept

Snabbgross aspires to be Sweden's best restaurant wholesaler by offering personal service, accessibility and quality at the best price.

### Vision

Sweden's leading restaurant wholesaler.

### Snabbgross

- 26 stores
- Retail area: 800–4,000 sq. m.
- E-commerce to B2B customers through all stores
- Assortment: approximately 12,000 items



### Key ratios

SEK m	2020	2019	Change
Net sales	3,417	3,443	-0.7%
Like-for-like sales growth, %	-2.2	6.4	-8.6
Operating profit	150	167	-9.8%
Operating margin, %	4.4	4.8	-0.4
Group-owned stores, number	26	24	2
Average number of employees during the year	427	411	16



# Dagab – sustainable product supply and more

Dagab handles the assortment, purchasing and logistics for the entire Axfood family as well as for other external B2B customers. The Dagab segment also includes the online grocery store Mat.se, Middagsfrid and its meal kits, the online pharmacy Apohem, and the restaurant chain Urban Deli.

## Development during the year

Dagab's sales totalled SEK 48,091 m (44,895), an increase of 7.1%. The favourable growth was mainly attributable to strong sales to Willys and Hemköp. Lower sales to Eurocash, somewhat lower sales to Snabbgross, and a sales decline for Urban Deli had a negative impact on Dagab's net sales. External sales amounted to SEK 12,063 m (11,827). Higher sales to franchise stores were partly offset by lower sales to convenience retailers due to a weak market development. Dagab's delivery reliability was 94.8% (96.8%). The decrease in delivery reliability was mainly attributable to challenges in product supply associated with the high demand that arose in connection with stockpiling of food products during the initial phase of the coronavirus pandemic in March.

Operating profit increased to SEK 829 m (678), corresponding to an operating margin of 1.7% (1.5%). The increase is mainly explained by the positive sales development, but also to high capacity utilization and improved logistics productivity for both stores and e-commerce. Dagab's earnings were negatively affected by investments in driving growth in Apohem. Work on improving efficiency in the joint-Group dark stores contributed to higher productivity and more favourable performance for Mat.se.

## Business highlights 2020

- Work on the new, highly automated logistics centre in Bålsta continued on schedule.
- Joint e-commerce logistics established for home deliveries to consumers in the Gothenburg region.
- Pilot test started of new Transport Management System.
- 250 new products launched within the private label product assortment.

DAGAB apohem

mat.se UD URBAN DELI

MIDDAGS FRID



### Business concept

Dagab supports the chains' success by providing the right assortment, the right purchasing prices and optimal logistics solutions.

### Vision

We will strengthen Axfood's market position over the long term.

### Apohem

- Apohem is a full-scale retail pharmacy where customers can order both over-the-counter and prescription drugs. In addition to prescription drugs, Apohem offers some 11,000 items.

### Mat.se

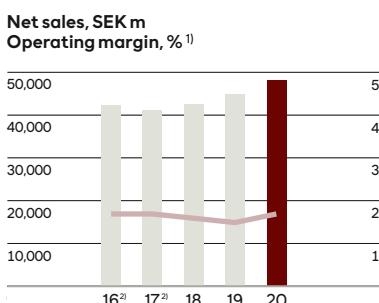
- Mat.se is an online grocery store for customers in Stockholm and Gothenburg, with an assortment of more than 9,000 items.

### Middagsfrid

- Middagsfrid composes and delivers pre-conceptualized meal kits complete with recipes and ingredients.

### Urban Deli

- Urban Deli has four locations in Stockholm and is a mix of restaurant, market hall and food store with own production kitchens.



### Key ratios

SEK m	2020	2019	Change
Net sales	48,091	44,895	7.1%
Operating profit	829	678	22.3%
Operating margin, %	1.7	1.5	0.2
Average number of employees during the year	2,823	2,699	124
Delivery reliability, %	94.8	96.8	-2.0



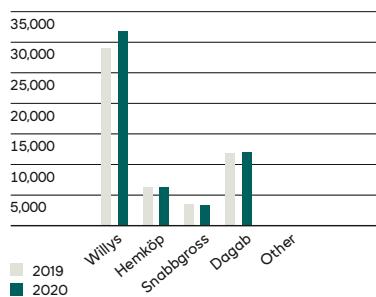
# Financial statements

In addition to the financial key ratios prepared in accordance with IFRS Axfood presents financial key ratios that are not defined by IFRS nor the Annual Accounts Act, so-called Alternative Performance Measures. The APMs aim to provide supplementary information that contributes to analysing Axfood's operations and development. The APMs used are considered generally accepted in the industry. APMs should not be seen as a substitute for financial information presented in accordance with IFRS, but as a complement. For definitions of the financial key ratios, see p.134.

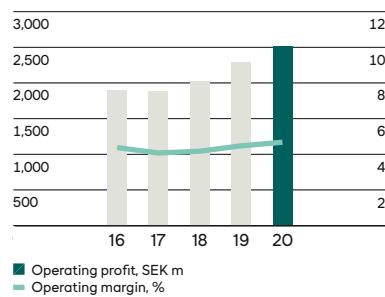
## EBITDA reconciliation

SEK m	2020	2019
<b>Operating profit</b>	<b>2,510</b>	<b>2,288</b>
Depreciation, amortization/Impairment	2,252	2,146
<b>EBITDA</b>	<b>4,762</b>	<b>4,434</b>
IFRS 16 Lease fees	-1,617	-1,551
<b>EBITDA excl. IFRS 16</b>	<b>3,145</b>	<b>2,880</b>

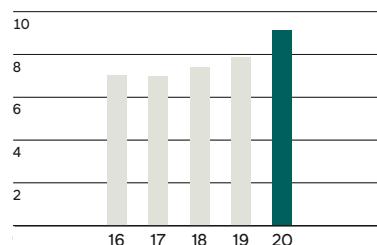
## Consolidated external net sales per segment, SEK m



## Consolidated operating profit, SEK m Operating margin, %



## Earnings per share before dilution, SEK



## Store sales (including e-commerce)

SEK m	2020	2019	Change	Change like-for-like
<b>Willys total</b>	<b>31,792</b>	<b>29,029</b>	<b>9.5%</b>	<b>7.9%</b>
Hemköp Group-owned	6,202	6,236	-0.6%	2.8%
Hemköp franchises	8,976	7,940	13.0%	6.3%
<b>Hemköp total</b>	<b>15,178</b>	<b>14,177</b>	<b>7.1%</b>	<b>4.8%</b>
<b>Store sales, Axfood Group</b>	<b>46,970</b>	<b>43,206</b>	<b>8.7%</b>	<b>6.9%</b>
<b>Snabbgross</b>	<b>3,417</b>	<b>3,443</b>	<b>-0.7%</b>	<b>-2.2%</b>

## Change in store structure

Number of stores	31 Dec. 2019	New establishments/ acquisitions	Sales/closures	Conversions	31 Dec. 2020
Willys <sup>1)</sup>	213	5	-1	2	219
Hemköp	67	2	-	-4	65
Snabbgross	24	2	-	-	26
<b>Total, Group-owned stores</b>	<b>304</b>	<b>9</b>	<b>-1</b>	<b>-2</b>	<b>310</b>
Hemköp franchises	129	2	-	2	133
Tempo franchises	127	-	-1	-	126
<b>Axfood Group, total</b>	<b>560</b>	<b>11</b>	<b>-2</b>	<b>-</b>	<b>569</b>
<sup>1)</sup> Willys	156	4	-	2	162
<sup>1)</sup> Willys Hemma	50	1	-1	0	50
<sup>1)</sup> Eurocash	7	-	-	-	7



## Statement of profit or loss and other comprehensive income Group

SEK m	Note	2020	2019
Net sales	3, 5	53,696	50,740
Cost of goods sold	6, 8	-45,148	-42,797
<b>Gross profit</b>		<b>8,548</b>	<b>7,942</b>
Selling expenses	6, 8	-3,300	-3,098
Administrative expenses	6, 8, 9	-3,317	-3,028
Share of profit in associated companies	21	-38	-25
Other operating income	5	632	523
Other operating expense	6	-15	-27
<b>Operating profit</b>	3	<b>2,510</b>	<b>2,288</b>
Interest income and similar profit/loss items	13	16	5
Interest expense and similar profit/loss items	13	-132	-120
<b>Net financial items</b>		<b>-116</b>	<b>-115</b>
<b>Profit before tax</b>		<b>2,394</b>	<b>2,173</b>
Current tax	15	-457	-406
Deferred tax	15	-74	-88
<b>Net profit for the year</b>		<b>1,862</b>	<b>1,679</b>
<b>Other comprehensive income</b>			
<i>Items that cannot be reclassified to profit or loss for the period</i>			
Revaluation defined benefit pensions	24	-6	-37
Tax	15	1	8
<i>Items that can be reclassified to profit or loss for the period</i>			
Change in translation reserve	26	-	0
Change in hedging reserve	26	-65	-41
Tax	15	13	9
<b>Other comprehensive income for the year</b>		<b>-56</b>	<b>-61</b>
<b>Comprehensive income for the year</b>		<b>1,806</b>	<b>1,617</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent		1,908	1,648
Non-controlling interests		-46	30
<b>Profit for the year</b>		<b>1,862</b>	<b>1,679</b>
<b>Comprehensive income for the year attributable to:</b>			
Owners of the parent		1,852	1,587
Non-controlling interests		-46	30
<b>Comprehensive income for the year</b>		<b>1,806</b>	<b>1,617</b>
Earnings per share before dilution, SEK	16	9.12	7.87
Earnings per share after dilution, SEK	16	9.09	7.85



## Statement of financial position Group

SEK m	Note	31/12/2020	31/12/2019
<b>Assets</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>	17		
Goodwill		2,769	2,767
Other intangible assets		750	705
		<b>3,519</b>	<b>3,472</b>
<i>Property, plant and equipment</i>	18		
Land and buildings		146	146
Equipment, tools and fixtures		2,153	2,014
Construction in progress		613	584
		<b>2,912</b>	<b>2,744</b>
Right-of-use assets	11	5,656	5,407
<i>Financial assets</i>			
Participations in associated companies	21	28	16
Other long-term securities holdings	25	0	0
Other non-current receivables	25	6	6
		<b>33</b>	<b>22</b>
Deferred tax assets	15	253	237
<b>Total non-current assets</b>		<b>12,373</b>	<b>11,882</b>
<b>Current assets</b>			
Inventories		2,670	2,387
<i>Current receivables</i>			
Accounts receivable – trade	25, 26	1,033	1,062
Other current receivables		169	180
Prepaid expenses and accrued income	22	1,034	984
		<b>2,236</b>	<b>2,227</b>
Assets held for sale	25	1,534	798
<b>Total current assets</b>		<b>6,441</b>	<b>5,411</b>
<b>Total assets</b>		<b>18,814</b>	<b>17,293</b>

[Financial statements](#)

SEK m	Note	31/12/2020	31/12/2019
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>	23		
Share capital		262	262
Other capital contributions		496	496
Reserves		-83	-32
Profit brought forward		3,655	3,292
		<b>4,331</b>	<b>4,020</b>
Non-controlling interests		232	229
<b>Total shareholders' equity</b>		<b>4,563</b>	<b>4,249</b>
<b>Non-current liabilities</b>			
Long-term lease liabilities	11, 26, 27	4,524	4,131
Provisions for pensions	24, 27	403	421
Deferred tax liability	15	979	902
Other non-current liabilities	25	108	100
<b>Total non-current liabilities</b>		<b>6,014</b>	<b>5,554</b>
<b>Current liabilities</b>			
Short-term lease liabilities	11, 26, 27	1,184	1,377
Accounts payable – trade	25, 26	4,424	3,832
Current tax liabilities		13	–
Other current liabilities	25	391	280
Accrued expenses and deferred income	28	2,225	2,000
<b>Total current liabilities</b>		<b>8,237</b>	<b>7,490</b>
<b>Total shareholders' equity and liabilities</b>		<b>18,814</b>	<b>17,293</b>

**Reconciliation of liabilities attributable to financing activities**

SEK m	31/12/2019	Non-cash changes			31/12/2020
		Cash flow	Sales of subsidiaries	Other changes	
Non-current interest-bearing liabilities	–				–
Current interest-bearing liabilities	–				–
Lease liabilities	5,508	-1,515	-10	1,725	5,708
<b>Reconciliation of liabilities attributable to financing activities<sup>1)</sup></b>	<b>5,508</b>	<b>-1,515</b>	<b>-10</b>	<b>1,725</b>	<b>5,708</b>
Interest-bearing pension liabilities	421	-27		9	403
Cash and cash equivalents	-798	-735			-1,534
Non-current interest-bearing receivables	0				0
<b>Net debt (+)/net receivable (-)</b>	<b>5,131</b>	<b>-2,227</b>	<b>-10</b>	<b>1,734</b>	<b>4,577</b>

**Reconciliation of liabilities attributable to financing activities**

SEK m	31/12/2018	Non-cash changes			31/12/2019
		Cash flow	Sales of subsidiaries	Other changes	
Non-current interest-bearing liabilities	61			-61	–
Current interest-bearing liabilities	52			-52	–
Lease liabilities	–	-1,419		6,927 <sup>2)</sup>	5,508
<b>Reconciliation of liabilities attributable to financing activities<sup>1)</sup></b>	<b>113</b>	<b>-1,419</b>	<b>–</b>	<b>6,814</b>	<b>5,508</b>
Interest-bearing pension liabilities	411	-27		37	421
Cash and cash equivalents	-1,571	774			-798
Non-current interest-bearing receivables	0				0
<b>Net debt (+)/net receivable (-)</b>	<b>-1,047</b>	<b>-673</b>	<b>–</b>	<b>6,851</b>	<b>5,131</b>

<sup>1)</sup> Included in amortization of debt attributable to financing activities in the Statement of cash flows, Group, see page 48.

<sup>2)</sup> The effect from transition to IFRS 16 amounts to SEK 6,099 m.



## Statement of cash flows Group

SEK m	Note	2020	2019
<b>Operating activities</b>			
Operating profit		2,510	2,288
Depreciation/amortization	10	2,252	2,146
Interest paid		-118	-123
Interest received		10	5
Adjustments for non-cash items		52	14
Paid tax		-370	-477
<b>Cash flow from operating activities before changes in working capital</b>		<b>4,336</b>	<b>3,853</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		-284	-63
Change in current receivables		-52	-125
Change in current liabilities		851	-110
<b>Cash flow from operating activities</b>		<b>4,851</b>	<b>3,555</b>
<b>Investing activities</b>			
Acquisitions of intangible assets		-211	-175
Acquisitions of property, plant and equipment		-817	-1,304
Acquisitions of operations	4	-9	-2
Sales of operations	4	3	23
Sales of property, plant and equipment		4	4
Acquisitions of financial assets		-50	-31
Sales of assets held for sale		-	99
<b>Cash flow from investing activities</b>		<b>-1,080</b>	<b>-1,386</b>
<b>Financing activities</b>			
Amortization of debt		-1,515	-1,419
Shareholder contribution from minority owners		49	-
Share repurchases		-53	-36
Shareholder dividend paid out		-1,517	-1,488
<b>Cash flow from financing activities</b>		<b>-3,036</b>	<b>-2,943</b>
<b>Cash flow for the year</b>		<b>735</b>	<b>-774</b>
Cash and cash equivalents at start of year		798	1,571
Cash and cash equivalents at year-end		1,534	798

## Statement of changes in equity Group

SEK m	Equity attributable to owners of the parent						Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributions	Translation reserve	Hedging reserve	Profit brought forward	Total		
Opening shareholders' equity 2019	262	496	1	1	3,544	4,304	224	4,528
Adjustment to IFRS 16, after tax	-	-	-	-	-390	-390	-4	-394
Opening shareholders' equity 2019, adjusted	262	496	1	1	3,154	3,914	220	4,134
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	1,648	1,648	30	1,679
Other comprehensive income for the year	-	-	0	-32	-29	-61	-	-61
<b>Comprehensive income for the year</b>			<b>0</b>	<b>-32</b>	<b>1,619</b>	<b>1,586</b>	<b>30</b>	<b>1,617</b>
Shareholder dividend	-	-	-	-	-1,466	-1,466	-21	-1,488
Share repurchases	-	-	-	-	-36	-36	-	-36
Share-based payments	-	-	-	-	21	21	-	21
<b>Closing shareholders' equity 2019</b>	<b>262</b>	<b>496</b>		<b>-32</b>	<b>3,292</b>	<b>4,020</b>	<b>229</b>	<b>4,249</b>
Opening shareholders' equity 2020	262	496	-	-32	3,292	4,020	229	4,249
<b>Comprehensive income for the year</b>								
Profit for the year	-	-	-	-	1,908	1,908	-46	1,862
Other comprehensive income for the year	-	-	-	-51	-5	-56	-	-56
<b>Comprehensive income for the year</b>			<b>-</b>	<b>-51</b>	<b>1,903</b>	<b>1,852</b>	<b>-46</b>	<b>1,806</b>
Shareholder dividend	-	-	-	-	-1,517	-1,517	-	-1,517
Share repurchases	-	-	-	-	-53	-53	-	-53
Share-based payments	-	-	-	-	28	28	-	28
Shareholder contribution from minority owner	-	-	-	-	-	-	49	49
<b>Closing shareholders' equity 2020</b>	<b>262</b>	<b>496</b>		<b>-83</b>	<b>3,655</b>	<b>4,331</b>	<b>232</b>	<b>4,563</b>



## Income statement Parent Company

SEK m	Note	2020	2019
Net sales		5	4
Selling expenses		-1	-2
Administrative expenses	7, 8, 9, 10	-428	-399
Other operating income	7	269	261
<b>Operating result</b>		<b>-155</b>	<b>-136</b>
Profit from participations in Group companies	13	-	22
Interest income and similar profit/loss items	13	8	5
Interest expense and similar profit/loss items	13	-10	-2
<b>Result after financial items</b>		<b>-157</b>	<b>-111</b>
Appropriations	14	2,082	1,825
<b>Profit before tax</b>		<b>1,925</b>	<b>1,714</b>
Current tax	15	-417	-363
Deferred tax	15	-1	-1
<b>Profit for the year</b>		<b>1,508</b>	<b>1,350</b>

Profit for the year corresponds to comprehensive income for the year.



## Balance sheet Parent Company

SEK m	Note	31/12/2020	31/12/2019
<b>Assets</b>			
<b>Property, plant and equipment</b>			
Equipment, tools and fixtures	18	35	17
		<b>35</b>	<b>17</b>
<b>Financial assets</b>			
Participations in Group companies	20	3,459	3,397
Participations in associated companies	21	6	-
Deferred tax assets	15	7	8
Other non-current receivables		1	0
		<b>3,473</b>	<b>3,404</b>
<b>Total non-current assets</b>		<b>3,508</b>	<b>3,421</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Accounts receivable – trade		2	2
Receivables from Group companies		4,527	3,360
Other current receivables		0	5
Prepaid expenses and accrued income	22	23	26
		<b>4,553</b>	<b>3,393</b>
Cash and bank balances		1,141	373
<b>Total current assets</b>		<b>5,694</b>	<b>3,765</b>
<b>Total assets</b>		<b>9,202</b>	<b>7,187</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
<i>Restricted shareholders' equity</i>			
Share capital		262	262
Revaluation reserve		25	25
		<b>287</b>	<b>287</b>
<i>Unrestricted shareholders' equity</i>			
Profit brought forward		857	1,049
Profit for the year		1,508	1,350
		<b>2,364</b>	<b>2,399</b>
<b>Total shareholders' equity</b>		<b>2,652</b>	<b>2,686</b>
<b>Untaxed reserves</b>	14	<b>3,192</b>	<b>2,907</b>
<b>Provisions</b>			
Provisions for pensions	24, 27	15	20
		<b>15</b>	<b>20</b>
<b>Non-current liabilities</b>			
Other non-current liabilities		3	3
		<b>3</b>	<b>3</b>
<b>Current liabilities</b>			
Accounts payable – trade		15	18
Liabilities to Group companies	27	3,165	1,482
Current tax liability		76	-
Other current liabilities		5	5
Accrued expenses and deferred income	28	79	66
		<b>3,340</b>	<b>1,571</b>
<b>Total shareholders' equity and liabilities</b>		<b>9,202</b>	<b>7,187</b>

### Net debt/net receivable

SEK m	31/12/2020	31/12/2019
Interest-bearing portion of Receivables from Group companies	-2,165	-1,180
Cash and cash equivalents	-1,141	-373
Provisions for pensions	15	20
Interest-bearing portion of Liabilities to Group companies	3,165	1,392
<b>Net debt (+)/net receivable (-)</b>	<b>-127</b>	<b>-141</b>



## Cash flow statement and shareholders' equity Parent Company

### Cash flow statement

SEK m	2020	2019
<b>Operating activities</b>		
Result before financial items	-155	-136
Interest paid	-10	-2
Interest received	8	5
Dividend from participations in Group companies	-	22
Depreciation/amortization	4	3
Adjustments for non-cash items	-35	7
Paid tax	-336	-398
<b>Cash flow from operating activities before changes in working capital</b>	<b>-524</b>	<b>-500</b>
<b>Cash flow from changes in working capital</b>		
Change in current receivables	-980	-274
Change in current liabilities	1,783	-103
<b>Cash flow from operating activities</b>	<b>279</b>	<b>-877</b>
<b>Investing activities</b>		
Acquisitions of property, plant and equipment	-27	-15
Sales of property, plant and equipment	0	0
Acquisitions of financial assets	-6	-
<b>Cash flow from investing activities</b>	<b>-33</b>	<b>-15</b>
<b>Financing activities</b>		
Shareholder dividend	-1,517	-1,466
Share repurchases	-53	-36
Group contribution received	2,182	1,934
Group contribution rendered	-90	-14
<b>Cash flow from financing activities</b>	<b>522</b>	<b>417</b>
<b>Cash flow for the year</b>	<b>769</b>	<b>-475</b>
Cash and cash equivalents at start of year	373	848
Cash and cash equivalents at year-end	1,141	373

### Shareholders' equity

SEK m	Restricted shareholders' equity		Unrestricted shareholders' equity	Total share- holders' equity
	Share capital	Revaluation reserve	Profit brought forward	Total
Opening shareholders' equity 2019	<b>262</b>	<b>25</b>	<b>2,531</b>	<b>2,818</b>
Profit for the year	-	-	1,350	1,350
Shareholder dividend	-	-	-1,466	-1,466
Share repurchases	-	-	-36	-36
Share-based payments	-	-	21	21
<b>Closing shareholders' equity 2019</b>	<b>262</b>	<b>25</b>	<b>2,399</b>	<b>2,686</b>
Profit for the year	-	-	1,508	1,508
Shareholder dividend	-	-	-1,517	-1,517
Share repurchases	-	-	-53	-53
Share-based payments	-	-	28	28
<b>Closing shareholders' equity 2020</b>	<b>262</b>	<b>25</b>	<b>2,364</b>	<b>2,652</b>

Profit for the year corresponds to comprehensive income for the year.



# Notes

## Contents

NOTE 1	Significant accounting policies	54
NOTE 2	Information about the Parent Company	59
NOTE 3	Operating segments	59
NOTE 4	Acquired and discontinued operations	59
NOTE 5	Revenue	59
NOTE 6	Breakdown of expenses	60
NOTE 7	Information on intra-Group income and expenses	60
NOTE 8	Information on employees, and compensation of directors, the President and other senior executives	60
NOTE 9	Auditors' fees	64
NOTE 10	Depreciation/amortization	64
NOTE 11	Leases	64
NOTE 12	Related party transactions	65
NOTE 13	Net financial items	65
NOTE 14	Appropriations and untaxed reserves	66
NOTE 15	Taxes	66
NOTE 16	Earnings per share	68
NOTE 17	Intangible assets	68
NOTE 18	Property, plant and equipment	69
NOTE 19	Government grants	69
NOTE 20	Participations in Group companies	70
NOTE 21	Participations in associated companies	71
NOTE 22	Prepaid expenses and accrued income	71
NOTE 23	Equity	72
NOTE 24	Provisions for pensions	72
NOTE 25	Financial assets and liabilities	74
NOTE 26	Financial risks	74
NOTE 27	Non-current and current interest-bearing liabilities	76
NOTE 28	Accrued expenses and deferred income	76
NOTE 29	Pledged assets and contingent liabilities	77
NOTE 30	Events after the balance sheet date	77
NOTE 31	Critical judgements and estimations	77
NOTE 32	Proposed disposition of the Company's profit	77



# Notes to the financial statements

## 1 Significant accounting policies

### Conformity with norms and laws

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the EU. In addition, Swedish Financial Reporting Board recommendation RFR1, Supplementary Reporting Rules for Groups, has been applied.

The Parent Company applies the same accounting policies as the Group, except in the cases indicated below under the section "Parent Company accounting policies".

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors and President on 18 February 2021. The Group's statement of profit or loss and other comprehensive income, and statement of financial position, and the Parent Company's income statement and balance sheet, are subject to adoption by the Annual General Meeting on 24 March 2021.

### Basis of measurement applied in preparation of the financial statements

Assets and liabilities are stated at historical cost, except for certain financial assets and liabilities, which are measured at fair value. Defined benefit pension liabilities/assets are reported in a net amount of the fair value of the plan assets and the present value of the defined benefit liability, adjusted for any asset restrictions.

### Functional currency and presentation currency

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency for the Parent Company and Group. The financial statements are thus presented in Swedish kronor (SEK). All amounts are rounded off to the nearest million kronor (SEK m), unless stated otherwise.

In texts and tables, figures between 0 and 0.5 are reported as 0.

### Judgements and estimations in the financial statements

Preparing the financial statements in accordance with IFRS requires the Board and Executive Committee to make judgements and estimations as well as assumptions that affect application of the accounting policies and the Company's result and position as well as other disclosures in general. The actual outcome may deviate from these estimations and judgements. Changes in estimations are reported in the period in which the change is made if the change has only affected that period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Judgements made by the Executive Committee in the application of IFRS that have a material impact on the financial statements, and estimations made that may entail material adjustments in subsequent years' financial statements, are described in more detail in Note 31.

### Significant accounting policies applied

The accounting policies presented below are applied consistently in the Company's published financial statements, unless stated otherwise. In addition, the Group's accounting policies have been applied consistently by the Group's companies, and with respect to associated companies, where necessary their accounting policies have been adapted to the Group's policies.

### Changed accounting policies

#### Changed accounting policies as a result of new or amended IFRSs

There are no new IFRSs that have been endorsed for application from 2020 and forward. A few amendments have been made to standards endorsed for application from 2020 and forward; these have not been judged to have any material effect on the consolidated financial statements.

#### New IFRSs that have not yet begun to be applied

New and amended IFRSs that take effect in future financial years have not been prospectively applied and are not expected to have any significant effect on the consolidated financial statements.

### Classification of current and non-current items

In the Axfood Group's accounting, assets and liabilities are classified as current and non-current. Non-current receivables and liabilities consist in all essential respects of amounts that are expected to fall due for payment after one year from the end of the reporting period. Current receivables and liabilities fall due for payment within one year from the end of the reporting period.

### Operating segment reporting

An operating segment is a part of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. Operating segments are reported in a manner that is in agreement with the internal reporting that is presented to the chief operating decision-maker at Axfood. The chief operating decision-maker has been identified as the Executive Committee, which evaluates the results and allocates resources to the operating segments. For more information on operating segments, see Note 3, Operating segments.

### Principles of consolidation and business combinations

#### Subsidiaries

Subsidiaries are all companies in which the Parent Company, Axfood AB, directly or indirectly has control. When determining if control exists, potential voting stock is taken into account as well whether de facto control exists.

Subsidiaries are reported in accordance with the purchase method.

In business combinations in which the consideration paid, any non-controlling interests and the fair value of previously owned interests (for business combinations achieved in stages) exceeds the fair value of separately reported acquired assets and liabilities taken over, the difference is reported as goodwill. When the difference is negative – a so-called bargain purchase – this is recognized directly in profit or loss for the year.

Consideration transferred in connection with the acquisition does not include payments that pertain to settlement of previous business relations. This type of settlement is recognized in profit or loss.

Contingent consideration is measured at fair value at the date of the acquisition.

In cases where the subsidiary's accounting policies are not compatible with the Group's, adjustments have been made to the Group's accounting policies.

Subsidiaries' financial statements are included in the consolidated financial statements starting on the date of acquisition until the date control ceases.

## Notes

**Associated companies**

Associated companies are companies in which Group has a non-controlling interest over their operational and financial management, typically through a holding of between 20% and 50% of the votes. From the point in time at which the non-controlling interest was obtained, participations in associated companies are reported in accordance with the equity method in the consolidated accounting.

The Group's share of the associated company's net profit/loss including depreciation/amortization, impairment charges and dissolution of any surplus and deficit values reported in connection with the acquisition is reported in consolidated profit.

Any difference at the time of acquisition between the cost of the holding and the acquirer's share of net fair value of the associated company's identifiable assets and liabilities is reported in accordance with the same principles that apply for acquisitions of subsidiaries.

**Transactions that are eliminated upon consolidation**

Note 7

Intra-Group receivables and liabilities, revenue or expenses, and unrealized gains or losses that arise out of transactions between Group companies are eliminated in their entirety in preparation of the consolidated accounts. Unrealized gains that arise in connection with transactions with associated companies and joint ventures are eliminated to the extent that they correspond to the Group's share of equity in the company. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no need to recognize impairment.

**Revenue**

Note 5

The Group conducts retail trade through the Hemköp, Willys, Eurocash and mat.se chains. For sales of products in the retail sector, revenue is recognized when the Group company sells a product to a customer. For sales in stores, the transaction price is due for payment immediately when the customer buys the product and takes possession of the product in the store. For e-commerce, the transaction price is due for payment when the product is ready for delivery to the customer.

The Group conducts wholesale trade through Dagab. Revenue from a sale is recognized when control of the product has been transferred, which takes place when the product has been delivered to the customer. Invoicing is done in connection with delivery, and the terms of payment are normally 10 to 30 days.

In Snabbgross, sales of products are mainly conducted in stores. For cash sales these transactions are handled in the same way as for product sales in the retail sector. In-store sales are also made at invoice with a payment term of normally ten days. To some extent, sales are made with delivery to customers. Invoicing is done in connection with delivery, and the terms of payment are normally ten days.

Franchise fees in Hemköp and other services pertain to services that are performed on a continuing basis during the contract period. The services' share of Axfood's total sales is insignificant.

**Leases**

Note 11

When a contract is entered into the Group identifies whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the inception of the lease or when reconsidering if a lease includes several components – lease and non-lease components – the Group allocates the consideration in accordance with the contract to each component based on the standalone price. In cases where it is not possible to distinguish between the components, they are recognized as a single lease component.

**Leases where the Group is lessee**

The Group recognizes a right-of-use asset and a lease liability on the commencement date of the lease. The right-of-use asset is initially measured at cost, which consists of the lease liability's initial value plus lease fees paid on or before the commencement date, plus any initial, direct fees. The right-of-use asset is depreciated on a straight-line basis from the commencement date until the earlier of the end of the asset's useful life and the end of the lease term, which normally for the Group is the end of the lease term. In cases where the cost of the right-of-use asset reflects that the Group will exercise an option to buy the underlying asset, the asset is depreciated until the end of its useful life.

The lease liability – which is broken down into a non-current and current portion – is initially measured at the present value of the remaining lease payments during the assessed lease term. The lease term consists

Note 21

of the uncancelable period plus additional periods in the contract if, at the commencement date, it is determined to be reasonably certain that these will be used.

The lease payments are discounted using the Group's incremental borrowing rate, which reflects the Group's credit risk. The incremental borrowing rate is allocated to different terms, depending upon how long the lease is.

The lease liability includes the present value of the following fees during the assessed lease term:

- fixed fees, including fixed fees in substance,
- variable lease payments coupled to an index or price, initially measured using an index or price that applied on the commencement date,
- any residual value guarantees that are expected to be paid,
- the redemption price of a call option that the Group is reasonably certain to exercise, and,
- penalty fees that arise in connection with termination of the lease if the assessed lease term reflects that such termination will take place.

The liability's value increases by the interest expense for the respective periods and decreases with payments of principal. The interest expense is calculated as the liability's value times the discount rate.

The lease liability for the Group's premises with a rent that is indexed is calculated based on the rent that applies at the end of the respective reporting period. When the cash flows change, the liability is adjusted with a corresponding adjustment of the right-of-use asset's carrying amount. In a corresponding way, the liability's and asset's values are adjusted in connection with reassessment of the lease term. This is done in connection with the passing of the final termination date within a previously assessed lease term for rent of a premise or alternatively when significant events occur or circumstances change in a significant way that is within the Group's control and affects the current assessment of the lease term.

For leases with a lease term of 12 months or less or with an underlying asset of low value – less than KSEK 50 – no right-of-use asset or lease liability is recognized. Lease payments for these leases are recognized as an expense on a straight-line basis over the lease term. This applies also for variable lease payments.

For impairment testing, see the sub-heading Impairment.

**Leases where the Group is lessor**

In cases where the Group is lessor, a determination is made on the commencement date of every lease whether the lease is to be classified as a finance or an operating lease.

When determining the classification, an overall assessment is made of whether the lease in all essential respects conveys the financial risks and benefits associated with ownership of the underlying asset. If such is the case, the lease is a finance lease; otherwise it is an operating lease.

When a leased asset is sub-let, the main lease and the sub-lease are recognized as two separate contracts. The Group classifies the sub-lease based on the right of use that arises out of the main lease, not based on the underlying asset.

The Group recognizes lease payments from operating leases as revenue on a straight-line basis over the lease term.

**Financial income and expenses**

Note 13

Financial income consists primarily of interest income from investments and dividend income. Interest income from financial instruments is reported using the effective interest method. Dividend income is reported when the right to receive the dividend has been determined. Gains or losses from sales of financial instruments are reported when the risks and rewards associated with ownership of the instrument in question are transferred to the buyer and the Group no longer has control over the instrument.

Financial expenses consist of interest expenses on loans, leases, pension liabilities, trade payables and other financial expenses. Borrowing costs are recognized in profit or loss using the effective interest method, except to the extent that they are directly attributable to the purchase, construction or production of a qualified asset, when they are included in the asset's cost.

Foreign exchange gains and losses are reported net.

**Receivables and liabilities in foreign currency**

Notes 25, 26

Business-related receivables and liabilities in foreign currency are translated to the functional currency at the exchange rate in effect at the end of the reporting period, and exchange rate differences are



## Notes

recognized in operating profit. For reporting of forward exchange contracts used to hedge payments in foreign currency, see the heading Financial instruments.

**Taxes** Note 15

The Group's total taxes consist of current tax and deferred tax. Taxes are recognized in profit or loss for the year except for when the underlying transaction is recognized in other comprehensive income or reported against shareholders' equity, whereby the associated tax effect is recognized in other comprehensive income or shareholders' equity.

Current tax is tax that is to be paid or received in the current year, based on the tax rates that have been decided on or essentially decided on as per the balance sheet date. This also includes adjustments of current tax pertaining to earlier periods.

Deferred tax is calculated in accordance with the balance sheet method and is based on the temporary difference between the reported and taxable value of assets and liabilities. Valuation of deferred tax is based on how the temporary differences are expected to be recognized or settled and using the tax rates and tax rules that have been decided on or essentially decided on as per the balance sheet date.

Temporary differences are not taken into account in Group goodwill, nor in differences attributable to participations in subsidiaries and associated companies that are not expected to be taxed in the foreseeable future.

Deferred tax assets in deductible temporary differences and tax-loss carryforwards are reported only to the extent it is probable that they will entail lower tax payments in the future.

**Intangible assets** Note 17**Goodwill**

In connection with business combinations, goodwill is reported in the statement of financial position in cases where the consideration paid, any non-controlling interests and the fair value of previously owned interests (for business combinations achieved in stages) exceed the fair value of acquired identifiable assets and liabilities taken over.

Goodwill is valued at cost less any accumulated impairment. Goodwill is attributed to the relevant cash-generating units and is not amortized, but is instead tested at least annually for impairment.

**Development**

Costs for development for internal use are recognized as an asset in the statement of financial position if the product or process is technically and commercially useable and the company has sufficient resources to complete development and thereafter use or sell the intangible asset. The carrying amount includes all directly attributable costs. Other development costs are recognized in profit or loss for the year as an expense as they are incurred. Recognized development costs are stated at cost less accumulated depreciation and any accumulated impairment.

**Other intangible assets**

Other intangible assets pertain to trademarks, leaseholds, customer relationships and IT development. Trademarks are measured at cost less any impairment charges and are tested at least once a year for impairment.

**Amortization of intangible assets**

Amortization is done on a straight-line basis over the estimated useful life of the assets. Eligible intangible assets are amortized from the date they are put in use. The following percentages have been applied:

IT development	10%–20%
Leaseholds	Remaining lease term
Customer relationships	Length of customer relationship/agreement
Other intangible assets	20%–33%

The useful life of assets is reassessed yearly.

**Property, plant and equipment** Note 18

Property, plant and equipment are carried at cost after deducting accumulated depreciation and any impairment.

Cost includes the purchase price plus direct costs associated with bringing the asset to place and in condition to be used in the operations.

**Depreciation of property, plant and equipment**

Depreciation is done on a straight-line basis over the estimated useful life of the assets. Land is not depreciated. Leased assets are depreciated over their estimated useful life or over the contracted lease term if it is shorter. Axfood applies component depreciation.

The following percentages have been applied:

Equipment, tools, fixtures and fittings	10%–33%
Store equipment	15%
Buildings	2%–5%
Land improvements	5%

Useful life for improvement expenses for another party's property is based on the remaining lease term for the underlying lease and varies from 1–10 years.

The useful life of assets is reassessed yearly.

**Financial instruments**

Notes 25, 26, 27

**Recognition and initial measurement**

Trade receivables and issued debt instruments are recognized when they are issued. Other financial assets and financial liabilities are recognized when the Group becomes party to the instrument's contractual terms and conditions. A financial asset (with the exception of trade receivables) or a financial liability is measured on the initial reporting occasion at fair value plus – with respect to financial instruments that are not measured at fair value through profit or loss – transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

**Financial assets****Classification**

On the initial reporting occasion, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss based on the Group's business model for managing the assets and the asset's contractual cash flow characteristics. Financial assets are not reclassified after the initial reporting occasion except for in cases where the Group changes its business model for management of financial assets.

Assets classified at amortized cost are held under the business model of collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Assets classified at fair value through other comprehensive income are assets held under the business model of both selling and collecting the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not classified as measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

The assets are subject to a loss allowance for expected credit losses, see Note 26.

**Subsequent measurement and gains and losses**

Financial assets measured at fair value through profit or loss

Subsequent measurement of these assets is done at fair value. Net gains and losses, including all interest and dividend income, is recognized in profit or loss.

**Financial assets measured at amortized cost**

Subsequent measurement is done at amortized cost using the effective interest method. Amortized cost is reduced by impairment. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Gains and losses that arise from derecognition are recognized in profit or loss.

**Financial liabilities****Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss are measured at fair value, and net gains and losses, including interest expenses, are recognized in profit or loss. Subsequent measurement of other financial liabilities is done at amortized cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognized in profit or loss. See Note 26 for financial liabilities identified as hedge instruments.



## Notes

**Derecognition from the statement of financial position****Financial assets**

The Group derecognizes a financial asset from the statement of financial position when the contractual rights to the cash flows from the financial asset cease or if it transfers the right to receive the contractual cash flows.

**Financial liabilities**

The Group derecognizes a financial liability from the statement of financial position when the obligations stated in the contract are fulfilled, cancelled or cease.

When a financial liability is derecognized, the difference between the carrying amount that has been derecognized and the compensation paid is recognized in profit or loss.

**Offsetting**

Financial assets and financial liabilities are offset against each other and reported in a net amount in the statement of financial position only when the Group has a legal right to offset the reported amounts and intends to settle the items in a net amount or at the same time realize the asset and settle the liability.

**Financial derivative instruments and hedge accounting**

The Group holds financial derivative instruments to hedge foreign currencies. Derivatives are stated on the initial reporting occasion at fair value. After the initial reporting occasion they are measured at fair value, and changes in this are reported in profit or loss. The Group identifies certain derivatives as hedge instruments to hedge the variability in cash flows from changes in exchange rates associated with highly probable transactions.

**Cash flow hedges**

When a derivative is identified as a cash flow hedge instrument, the effective portion of changes in the fair value of the derivative is reported in other comprehensive income and is accumulated in the hedging reserve. Ineffective portions of changes in the fair value of the derivative are recognized immediately in profit or loss. When hedged, prognosticated transactions subsequently lead to recognition of a nonfinancial item, the accumulated amount is included in the hedging reserve at the initial cost of the nonfinancial item. For all other hedged, prognosticated transactions, the accumulated amount in the hedging reserve and the hedge expense reserve is reclassified to profit or loss in the same period or periods that the hedged, anticipated cash flow affects profit or loss.

Forward exchange contracts are used to hedge receivables or liabilities against exchange rate risk. Hedge accounting is not used to protect against currency risk, since a financial hedge is reflected in the reporting in that both the underlying receivable or liability and the hedge instrument are reported at the exchange rate in effect on the balance sheet date, and changes in exchange rates are reported in profit or loss for the year.

**Inventories**

Inventories are stated at the lower of cost or net sales value.

Cost consists of the purchase price less supplier discounts attributable to articles in stock. In addition to the purchase price, cost also includes other direct costs for bringing the products to their current location and condition. Cost is calculated through application of the first-in-first-out (FIFO) principle. Net sales value consists of the anticipated sales price in the continuing operations less selling costs.

Inventory includes only marketable products. Inventory consists of finished products and goods for resale.

**Impairment**

The carrying amount of goodwill, intangible assets that have not yet been put in use and other intangible assets with indefinite useful life is tested yearly to determine any need to recognize impairment. The carrying amounts are also tested when an indication of a decrease in value has been identified. An impairment loss is recognized for an asset if its carrying amount exceeds its recoverable amount, where the recoverable amount is defined as the higher of the asset's net sales value and its value in use. In calculating value in use, future cash flows that the asset is expected to generate are discounted using an interest rate that reflects the current market assessment of the time value of money and

the cash-generating units' specific risks. This interest rate is believed to correspond to Axfood's weighted cost of capital. A separate asset is attributed to the smallest cash-generating unit in which independent cash flows can be determined. Impairment is charged against profit or loss. Impairment of assets pertaining to a cash-generating unit is applied primarily to goodwill. Thereafter, a proportional write-down is made of other assets included in the unit.

**Provisions**

Provisions are reported in the statement of financial position in cases where Axfood has a legal or constructive obligation as a result of a past event and when it is probable that an outflow of resources will be required to settle the obligation and that a reliable estimation of the amount can be made. The provision is reported in an amount that corresponds to the best estimate of the payment required to settle the obligation. When the outflow of resources is expected to take place a long time in the future, the anticipated future cash flow is discounted, and the provision is reported at present value. The discount rate corresponds to the market rate of interest before tax and the risks associated with the liability. Provisions are reported in the statement of financial position under other current and non-current liabilities.

**Employee compensation**

Notes 8, 24

**Short-term compensation**

Short-term employee compensation is calculated without discounting and is recognized as an expense when the related services were performed. A provision for estimated bonus payments is recognized when the Group has a legal or constructive obligation to make such payments due to the fact that the services in question have been received from the employees and the provision amount can be estimated in a reliable manner.

**Post-employment compensation****Pension plans**

Axfood has both defined contribution and defined benefit pension plans. Defined contribution pension plans are classified as plans in which Axfood's obligation is limited to the contributions that the Company has undertaken to pay. The service cost of defined contribution plans is charged against profit or loss in pace with employees' performance of their services. Obligations are calculated without discounting, since payment for all of these plans falls due within 12 months.

The service cost for defined benefit pension plans is calculated using the Projected Unit Credit (PUC) method, which in short sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation at the end of the reporting period. The obligation is discounted to present value at the end of the reporting period, from which the fair value of any plan assets is deducted. Further, the calculations are affected by actuarial assumptions, such as longevity and inflation. Revaluation effects are recognized in other comprehensive income. Calculations of defined benefit pension plans are performed by an independent external actuary.

The net interest expense/income on the defined benefit obligation/asset is recognized in profit or loss for the year under net financial items. Net interest income is based on the interest that arises when discounting the net obligation, i.e., interest on the obligation, plan assets and interest on the effect of any asset restrictions. Other components are recognized in operating profit or loss.

The special employer's payroll tax is reported separately from the net obligation/asset as an other non-current liability. For the simplification, the portion of the special employer's payroll tax that is calculated based on the Pension Obligations Vesting Act (*Tryggandelagen*) for legal entities is reported as an accrued expense.

Retirement pension and family pension obligations for salaried employees in Sweden are funded partly through insurance with Alecta. According to pronouncement UFR 10 issued by the Swedish Financial Reporting Board (RFR), this is classified as a multi-employer defined benefit plan. The Group does not have access to such information that makes it possible to report this plan as a defined benefit plan.

The ITP pension plan that is funded through insurance with Alecta is therefore reported as a defined contribution plan.

**Share-based payments**

The Axfood Group has share-based incentive programmes in which settlement is done with shares and where the Company receives services from the employee in exchange for equity instruments (performance shares) in the Group. The programmes cover three-year periods and require that, during the term of the programme, the participants continue to be employed and that they have purchased and retain a certain number of shares in Axfood ("savings shares"). The cost of the share-based compensation is based on the fair value of the share rights that the employee receives. The value is calculated at the grant date using a calculation model based on Monte Carlo-simulations and is adjusted in subsequent periods until in the end it reflects the actual number of rewarded share rights. The fair value of the granted share rights is reported as a personnel cost, with a corresponding increase in equity that is apportioned over the vesting period.

During the vesting period, provisions are made for estimated social security charges.

Share repurchases carried out to fulfil the delivery obligation under outstanding share-based programmes are reported in equity.

**Statement of cash flows**

The statement of cash flows is prepared in accordance with the indirect method. The reported cash flow pertains only to transactions that entail incoming or outgoing payments. Axfood's cash and cash equivalents include cash on hand and bank balances.

**Parent Company accounting policies**

The Parent Company reports in accordance with the Swedish Annual Accounts Act (*Årsredovisningslagen (1995:1554)*) and Swedish Financial Reporting Board recommendation RFR 2 – Reporting for Legal Entities. The Swedish Financial Reporting Board's pronouncements regarding listed companies are also applied. Application of RFR 2 entails that the Parent Company, in the annual report for the legal entity, applies all EU-endorsed IFRSs and pronouncements as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act (*Tryggandelagen*), and taking into account the connection between reporting and taxation. The recommendation indicates which exceptions from and amendments to IFRS are to be made. The differences between the Parent Company's and Group's accounting policies are described below.

**Changed accounting policies**

Unless otherwise stated below, the Parent Company's accounting policies in 2020 have changed in accordance with what is stated above for the Group.

**Classification and presentation format**

For the Parent Company, an income statement and a statement of comprehensive income are presented, whereas for the Group, these two financial statements together form the statement of profit or loss and other comprehensive income. In addition, for the Parent Company, the titles balance sheet and cash flow statement are used for the financial statements which in the Group are titled statement of financial position and statement of cash flows, respectively.

The Parent Company's income statement and balance sheet are presented in accordance with the format prescribed in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and cash flow statement are based on IAS1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences in the Parent Company's income statement and balance sheet compared with the Group's financial statements consist mainly of the reporting of equity and the presentation of provisions as a separate heading on the balance sheet.

**Subsidiaries and associated companies**

Participations in subsidiaries and associated companies are reported in the Parent Company in accordance with the cost method.

**Defined benefit pension plans**

For calculations of defined benefit pension plans, the Parent Company adheres to the provisions of the Pension Obligations Vesting Act (*Tryggandelagen*) and the Financial Supervisory Authority's directions, since this is a prerequisite for the right to deduct taxes. The most significant differences compared with the rules in IAS 19 concern how the discount rate is determined, that calculation of the defined benefit obligation is done based on current salary levels without assumptions on future salary increases, and that all actuarial gains and losses are recognized in profit or loss as they are incurred.

**Financial instruments**

In view of the connection between reporting and taxation, the rules on financial instruments in IFRS 9 are not applied for financial instruments in the Parent Company as a legal entity. Financial non-current assets are measured at cost less impairment, and financial current assets are measured at the lower of cost or market value.

**Financial guarantees**

The Parent Company's financial guarantee agreements consist mainly of guarantees for the benefit of subsidiaries and associated companies. The Parent Company applies a Swedish Financial Reporting Board relief rule compared with the rules in IFRS 9. The relief rule pertains to financial guarantee agreements pledged for the benefit of subsidiaries and associated companies. In these cases, the rules of IAS 37, points 14 and 36, are applied instead, which entail that financial guarantee agreements are to be reported as a provision on the balance sheet when Axfood AB has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. In addition, it must be possible to make a reliable estimate of the amount of the obligation.

**Leases**

The Parent Company does not apply IFRS 16, in accordance with the exception that is provided in RFR 2. In its capacity as a lessee, the Parent Company recognizes lease fees as an expense on a straight-line basis over the lease term, and thus rights of use and lease liabilities are not carried on the balance sheet. Leases in which the Parent Company is the lessor are recognized as operating leases.

**Taxes**

In the Parent Company, in contrast to the Group, untaxed reserves are reported without a breakdown into shareholders' equity and deferred tax liability. In the income statement, in a similar manner, no breakdown is made of parts of appropriations to deferred tax liability.

**Group contributions and shareholder contributions**

The Parent Company reports Group contributions received and rendered as appropriations. Shareholder contributions are reported directly in shareholders' equity of the receiving party and are capitalized in shares and participations of the rendering party, to the extent that there is no need to recognize impairment.

**Changed accounting policies 2021 and later**

See the changed accounting policies for the Group above.



## 2 Information about the Parent Company

Axfood AB is a Sweden-registered limited liability company domiciled in Stockholm. The Parent Company's shares are registered with Nasdaq Stockholm. The address of the head offices is SE-107 69 Stockholm, Sweden.

The consolidated financial statements for 2020 cover the Parent Company and its subsidiaries, jointly referred to as the Group.

The Group also includes ownership stakes in associated companies.

Axfood AB is a subsidiary of AxRetail AB, reg. no. 556039-2226, with registered office in Stockholm. AxRetail AB, in turn, is a wholly owned subsidiary of Axel Johnson Holding AB, reg. no. 556245-2549, with registered office in Stockholm, which prepares consolidated financial statements for the largest group.

## 3 Operating segments

Axfood's operating segments have been determined based on the information considered by the Executive Committee and which is used to evaluate the result of operations and allocate resources to the segments. The Group's operations are organized in such manner that the Executive Committee follows up sales and operating profit per business area. Since the Executive Committee follows up the result of operations and decides on resource allocation based on these business areas, these make up the Group's operating segments.

No significant impairment losses affected profit for 2020 or 2019. No impairment losses were reversed in 2020 or 2019. No significant non-

cash items other than depreciation and amortization arose during 2020 and 2019.

The operating segments that have been identified are Willys, Hemköp, Snabbgross and Dagab. For more information on the segments, see pages 40–43.

No individual customer accounts for more than 10% of consolidated sales, and thus no major customer is considered to exist. Joint-Group pertains to head office support functions, such as the Executive Committee, Finance/Accounting, Legal Affairs, Communications, Business Development, HR and IT.

Per operating segment	Willys		Hemköp		Snabbgross		Dagab		Joint-Group		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Result of operations</b>														
External net sales	31,793	29,029	6,354	6,378	3,415	3,440	12,063	11,827	71	66			53,696	50,740
Internal net sales	-	-	-	-	3	3	36,028	33,068	921	862	-36,951	-33,932	-	-
Net sales	31,793	29,029	6,354	6,378	3,417	3,443	48,091	44,895	991	928	-36,951	-33,932	53,696	50,740
Depreciation of property, plant and equipment, and amortization of intangible non-current assets	-271	-258	-121	-120	-24	-18	-121	-115	-257	-255			-794	-765
Depreciation of right-of-use assets	-777	-733	-340	-324	-69	-62	-231	-219	-43	-42			-1,458	-1,380
Total depreciation/amortization	-1,048	-991	-461	-444	-92	-79	-352	-334	-299	-297			-2,252	-2,146
Share of profit in associated companies	-	-	-	-	-	-	-38	-25	0	-			-38	-25
Operating profit (EBIT)	1,551	1,429	229	243	150	167	829	678	-250	-229			2,510	2,288
Financial items, net													-116	-115
Consolidated profit before tax													2,394	2,173
<b>Other disclosures</b>														
Investments in non-current assets <sup>1)</sup>	412	359	110	141	40	35	155	683	313	263			1,031	1,481
Investments in right-of-use assets <sup>2)</sup>	918	533	444	256	162	73	184	95	16	14			1,725	971
<b>Total investments in non-current assets</b>	<b>1,330</b>	<b>892</b>	<b>554</b>	<b>397</b>	<b>203</b>	<b>108</b>	<b>340</b>	<b>778</b>	<b>329</b>	<b>277</b>			<b>2,755</b>	<b>2,452</b>

<sup>1)</sup> Property, plant and equipment and intangible non-current assets, excluding acquisitions of operations.

<sup>2)</sup> Acquisitions and revaluations of right-of-use assets.

## 4 Acquired and discontinued operations

### Acquired operations

During the year Axfood did not make any significant acquisitions.

### Sold operations

During the year, three (six) store operations were sold. Two of the store operations pertained to sales of companies to the respective store managers in accordance with the 91/9 model. The sales were not of such size that they needed to be reported separately as discontinued operations in the statement of profit or loss and other comprehensive income. Cash flow from sales of operations during the year amounts to SEK 3 m (23).

## 5 Revenue

All of the chains offer discounts – in customer loyalty programmes or other discounts – which reduce the amount of revenue at the point of transaction.

Hemköp has a customer loyalty programme in which customers earn points for purchases made, which give them discounts on future purchases. A contractual liability for points earned is recognized at the point in time the sale was made. Revenue is recognized when the points are used or when they expire.

In the wholesale operations, discounts are typically recognized through a deduction on the invoice. Volume discounts are offered to some extent, based on accumulated sales over a period of time. Revenue from sales with volume discounts is based on the price stated in the contract, less calculated volume discounts. Historical data is used to estimate the anticipated value of volume discounts. Revenue is recognized only to such a value that it is highly probable that a significant reversal of the recognized revenue will not arise, as the uncertainty associated with the variable consideration ceases. A liability is recognized for anticipated volume discounts in relation to sales through the balance sheet date.



## 6 Breakdown of expenses

Group	2020	2019
Cost of goods for resale	38,569	36,684
Payroll costs	7,558	7,005
Depreciation/amortization	2,252	2,146
Other	3,400	3,115
<b>Total</b>	<b>51,779</b>	<b>48,950</b>

## 7 Information on intra-Group income and expenses

The Parent Company's income from Group companies amounted to SEK 259 m (246). The Parent Company's expenses from Group companies amounted to SEK 79 m (70). The Parent Company's sales to Group companies consist mainly of compensation to cover shared costs for rents, central administration, and shared systems. The Parent Company's compensation to Group companies consists mainly of compensation for system support and rents.

## 8 Information on employees and compensation of directors, the President and other senior executives

Average number of employees<sup>1)</sup>

	2020			2019		
	Women	Men	Total	Women	Men	Total
<b>Parent Company</b>						
Average number of employees	146	52	198	130	45	175
<b>Subsidiaries</b>						
Average number of employees	5,974	5,279	11,253	5,633	5,046	10,679
<b>Total, Group</b>	<b>6,120</b>	<b>5,331</b>	<b>11,451</b>	<b>5,763</b>	<b>5,091</b>	<b>10,854</b>

<sup>1)</sup> In calculating the number of hours worked per year per employee, 1,920 hours has been used (1,920).

Gender breakdown of the Board of Directors and senior executives in the Group

	2020		2019	
	Women	Men	Women	Men
Board of Directors, Parent Company	38%	62%	43%	57%
Executive Committee	50%	50%	30%	70%

The gender breakdown for the Board of Directors pertains to the AGM-elected directors, not the employee representatives.

Expensed wages, salaries and other compensation, and social security charges

	2020			2019		
	Wages, salaries and other compensation	Social security charges	Of which, pension costs	Wages, salaries and other compensation	Social security charges	Of which, pension costs
Parent Company	161	83	26	141	73	26
Subsidiaries	4,789	1,837	346	4,436	1,739	340
<b>Total, Group</b>	<b>4,950</b>	<b>1,920</b>	<b>372</b>	<b>4,577</b>	<b>1,812</b>	<b>366</b>

Board of Directors

Expensed fees and other benefits paid to members of the Board of Directors, KSEK

Parent Company	2020			2019		
	Directors' fees	Fees for committee work	Total fees	Directors' fees	Fees for committee work	Total fees
Mia Brunell Livfors (Chairman of the Board)	716	–	716	686	–	686
Lars Olofsson (Vice Chairman of the Board)	549	–	549	528	–	528
<i>Other board members:</i>						
Antonia Ax:son Johnson <sup>1)</sup>	–	–	–	106	–	106
Stina Andersson	454	56	510	433	–	433
Fabian Bengtsson	454	–	454	433	–	433
Caroline Berg	454	–	454	433	–	433
Jesper Lien	454	–	454	433	–	433
Christian Luiga	345	113	458	–	–	–
Christer Åberg	454	56	510	433	–	433
Anders Helsing (employee rep.)	–	–	–	–	–	–
Michael Sjörén (employee rep.)	–	–	–	–	–	–
Lars Östberg (employee rep.)	–	–	–	–	–	–
<b>Total</b>	<b>3,879</b>	<b>225</b>	<b>4,104</b>	<b>3,485</b>	<b>–</b>	<b>3,485</b>

<sup>1)</sup> Antonia Ax:son Johnson resigned in connection with the 2019 AGM.

Fees are payable to the Chairman of the Board and the directors in accordance with an AGM resolution. In addition to directors' fees, an additional fee is paid to the chair and other members of the Audit Committee. No fee is paid for work on the Board's other committees. Employee representatives do not receive any directors' fees. According

to a resolution by the 2020 AGM, the annual fee payable to directors was set at KSEK 4,040 (3,395), of which KSEK 725 (690) is payable to the Chairman. The fee for work on the Audit Committee was set through an AGM resolution at KSEK 300 (–). 75% of the fees were paid out in 2020, with the remainder being paid out after year-end.



## Notes

**Note 8. Information on employees and compensation of directors, the President and other senior executives, cont.**

## Senior executives

For the composition of the Executive Committee, see pages 132–133.

## Expensed salaries, other compensation and benefits

KSEK	Base salary		Variable compensation		Other benefits		Pension cost		Other compensation		Total		Share-based payments <sup>2)</sup>	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
President	7,747	7,420	4,362	3,771	178	181	2,711	2,610	–	–	14,998	13,982	5,217	4,035
Other senior executives, Executive Committee <sup>1)</sup>	23,662	25,494	9,187	9,358	807	894	7,365	6,787	72	45	41,093	42,578	8,064	5,595
<b>Total</b>	<b>31,409</b>	<b>32,914</b>	<b>13,549</b>	<b>13,129</b>	<b>985</b>	<b>1,075</b>	<b>10,076</b>	<b>9,397</b>	<b>72</b>	<b>45</b>	<b>56,091</b>	<b>56,560</b>	<b>13,281</b>	<b>9,630</b>

<sup>1)</sup> Of expensed base salaries, variable compensation, share-based payments and other compensation paid out, KSEK 24,924 (23,628) pertains to compensation that the senior executives received from other Group companies. Of other benefits, KSEK 518 (644) pertains to compensation from other Group companies.

<sup>2)</sup> Pertains to the year's expensed, calculated outcomes for the incentive programmes LTIP 2018, LTIP 2019 and LTIP 2020, which will be settled in 2021 and later, and the year's expensed outcome for LTIP 2017, which was settled in April 2020.

The Board's Compensation Committee makes decisions on salaries and other terms of employment for members of the Executive Committee, except for the President, for whom the Board in its entirety sets the level of compensation and other terms of employment, according to the principles decided on by the Annual General Meeting. Variable compensation is based mostly on the Group's earnings and sales performance, and partly on personal goals. Variable compensation amounts to a maximum of 60% of the executive's fixed, base salary. In the event the Company serves notice of termination of employment, a notice period of a maximum of 12 months applies, on account. In addition, severance pay corresponding to a maximum of 12 months' salary may be payable in certain cases, on account. For notice given by the executive, the notice period is a maximum of six months, without any right to severance pay. Axfood applies a retirement age of 65 for all senior executives. The basic pension benefit consists of the so-called ITP plan, where five members of the Executive Committee on this part have a solution corresponding to ITP1. In addition to this, for the executives covered by ITP 2, the Company pays defined contribution pension premiums corresponding to 25% of salary amounts between 30 and 50 times the Income Base Amount. One member of the Executive Committee has a pension solution where the total pension provision is 35% of fixed cash salary less premiums for ITP 2.

## President

The President's variable compensation is based on the performance and development of the business. The variable compensation for the President can amount to a maximum of 60% of his annual salary. 100% of the

set variable compensation is paid out after the Annual General Meeting in the year following the year in which it was earned, provided the President was employed during the entire earnings year.

In addition, the President has a taxable car benefit and health insurance. The President is entitled to retirement pension from 65 years of age and a right to retirement pension provisions corresponding to 35% of his yearly cash salary. In the event Axfood serves notice of termination of employment, the President is entitled to a 12-month notice period plus severance pay corresponding to 12 months' salary, on account. In the event the President gives notice, the notice period is six months.

## Information on decided compensation that has not fallen due for payment and on departures from the guidelines for compensation decided on by the 2020 Annual General Meeting

Previous Annual General Meeting has resolved on guidelines for compensation and other terms of employment for senior executives for the period up until the 2024 Annual General Meeting at the latest. In short these guidelines entail that, in addition to base salary, variable compensation shall be payable, tied in part to Axfood's targets for earnings and sales growth and in part to the achievement of personal goals. Short-term variable compensation is expensed during the financial year and is paid out after the annual report has been adopted by the Annual General Meeting. The guidelines adopted by the 2020 Annual General Meeting have been adhered to, and all previously approved compensation that has not yet been paid out is within the frameworks described above.

Long-term incentive programmes  
Group

	LTIP 2020	LTIP 2019	LTIP 2018	LTIP 2017
Base value, share price, SEK	204.80	186.00	161.75	143.50
Number of participants at start of programme	66	58	59	59
Number of participants on balance sheet date	65	53	54	–
Of whom, senior executives	9	9	8	–
Number of outstanding share rights at 1/1/2020	–	186,200	164,024	141,896
Number of share rights granted during the period	237,650	–	–	–
Number of share rights forfeited during the period	1,750	10,280	8,361	–
Number of share rights redeemed during the period	–	–	–	157,892
Number of outstanding share rights at 31/12/2020 <sup>1)</sup>	235,900	175,920	155,663	–
Maximum number of share rights	260,468	191,360	171,000	–
Average share price on redemption date, SEK	–	–	–	212.82
Weighted average fair value at measurement date for entire term, SEK m <sup>2)</sup>	59.7	42.3	32.6	–
Cost for the year, SEK m	12.8	14.5	10.1	3.2
Accumulated cost, SEK m	12.8	24.2	29.5	27.1
Liability (social security charges), SEK m	3.5	6.9	9.8	–
Vesting period	3 years	3 years	3 years	3 years
Term	May 2020–April 2023	May 2019–April 2022	May 2018–April 2021	May 2017–April 2020

<sup>1)</sup> Of the share rights, 249,550 pertain to senior executives for all three programs.

<sup>2)</sup> Of total fair value, SEK 59.3 m pertains to senior executives for all three programs.



## Notes

### Note 8. Information on employees and compensation of directors, the President and other senior executives, cont.

The Group's long-term share-based incentive programmes have been started yearly since 2017 following resolutions by the respective years' Annual General Meetings. The programmes each stretch over three years starting in May of the respective years. LTIP 2020 was started in 2020, and a full grant has been made for LTIP 2017.

The programmes are offered to senior executives and other key persons in the Axfood Group. The aim is that the programmes will strengthen the joint interest in achieving maximum long-term value creation in Axfood and to facilitate Axfood in recruiting and retaining persons in the Executive Committee and other key persons.

Participation requires that the participants buy or previously own a certain number of shares in Axfood ("savings shares"). All participants have bought shares in Axfood at market price up to the predetermined, maximum number of shares for each category of participants. After the set vesting period, the participants will be granted shares in Axfood, free of charge, provided that certain conditions are met.

If a participant's employment ceases during the vesting period due to contractual or age-based retirement, the grant of share rights is reduced in proportion to the amount of the vesting period that passed at the time of retirement.

The programmes are equity-settled, and grants are made through delivery of shares.

The fair value of services performed by employees in exchange for granted share rights is measured on the basis of the fair value of the granted share rights. The fair value of the share rights has been estimated using a calculation model based on Monte Carlo simulations. The participations are measured using the share price on the grant date of the share rights as a base, and social security charges are measured using the share price on the accounting date as the base. The calculated dividend has been taken into account in the calculation model.

The cost is allocated on a linear basis over a three-year period and includes social security charges. The reported values during the year have been affected by persons who have left the programme and persons who have retired.

#### Vesting terms

##### LTIP 2020

- Employment in the Axfood Group during the entire programme period and retained personal shareholding
- Three-year TSR>0 (1 share right)
- Sales growth in line with the market to +2 percentage points on average over three years' time and EBIT margin >3.5% on average over three years' time (1–3 share rights)
- TSR in line with SIX return index 2020–2022 accumulated up to 10 percentage points better than same period (1–2 share rights)
- Accumulated sales of sustainability-labelled products during the period 2020–2022 reach a level of up to 10% higher than the level as per 31 December 2019 (0–1 share right)

##### LTIP 2019

- Employment in the Axfood Group during the entire programme period and retained personal shareholding
- Three-year TSR>0 (1 share right)
- Sales growth in line with the market to +2 percentage points on average over three years' time and EBIT margin >3.5% on average over three years' time (1–3 share rights)
- TSR in line with SIX return index 2019–2021 accumulated up to 10 percentage points better than same period (1–2 share rights)
- Accumulated sales of sustainability-labelled products during the period 2019–2021 reach a level of up to 10% higher than the level as per 31 December 2018 (0–1 share right)

##### LTIP 2018

- Employment in the Axfood Group during the entire programme period and retained personal shareholding
- Three-year TSR>0 (1 share right)
- Sales growth in line with the market to +2 percentage points on average over three years' time and EBIT margin >3.5% on average over three years' time (1–4 share rights)
- TSR in line with SIX return index 2018–2020 accumulated up to 10 percentage points better than same period (1–2 share rights)

##### LTIP 2017

- Employment in the Axfood Group during the entire programme period and retained personal shareholding

- Three-year TSR>0 (1 share right)
- Sales growth in line with the market to +2 percentage points on average over three years' time and EBIT margin >3.5% on average over three years' time (1–4 share rights)
- TSR in line with SIX return index 2017–2019 accumulated up to 10 percentage points better than same period (1–2 share rights)

#### Repurchased shares

To secure the Company's obligation for conditional performance shares under LTIP 2017, Axfood repurchased 194,000 shares in 2017 at an average price of SEK 143.69 per share for a total of SEK 28 m. To secure the Company's obligation for conditional performance shares under LTIP 2018, Axfood repurchased 182,000 shares in 2018 at an average price of SEK 162.89 per share for a total of SEK 30 m. To secure the Company's obligation for conditional performance shares under LTIP 2019, Axfood repurchased 196,000 shares in 2019 at an average price of SEK 186.00 per share for a total of SEK 36 m. To secure the Company's obligation for conditional performance shares under LTIP 2020, Axfood repurchased 258,000 shares during the second quarter of 2020 at an average price of SEK 206.46 per share for a total of SEK 53 m.

Full grant was made of LTIP 2017 in April 2020 using treasury shares.

The holding of treasury shares thereby amounts to 672,108 shares and secures delivery of shares to all of the Company's incentive programmes.

#### Parent Company

The same terms that apply for the Group apply for the Parent Company.

	LTIP 2020	LTIP 2019	LTIP 2018	LTIP 2017
Weighted average fair value at measurement date for entire term <sup>1)</sup>	27.8	22.8	18.2	–
Cost for the year	6.0	7.4	5.4	1.7
Accumulated cost	6.0	12.0	14.9	12.8
Liability (social security charges)	1.6	3.6	5.3	–

<sup>1)</sup> Of fair value, SEK 41.5 m pertains to senior executives.

#### Guidelines for compensation of senior executives

Most recently decided guidelines for compensation of senior executives (adopted by the 2020 Annual General Meeting)

The guidelines pertain to the President and CEO of Axfood and members of the Executive Committee, who report directly to the CEO. The guidelines do not pertain to compensation decided on by a general meeting of shareholders, such as directors' fees or share-based incentive programmes.

The guidelines shall be applied for compensation agreed upon and changes made to already agreed-upon compensation after the 2020 Annual General Meeting. The guidelines apply until the 2024 Annual General Meeting at the latest.

The guidelines steer the decisions on compensation made by the Board's Compensation Committee with respect to senior executives who report directly to the CEO and by the Board in its entirety with respect to the CEO.

*The guidelines' promotion of Axfood's business strategy, long-term interests and sustainability*

Axfood's vision entails that the Company shall be a leader in good and sustainable food. To achieve this, Axfood works according to a strategy of growth-promoting priorities and efficiency improvement measures. Added to this is a strong employee focus. Axfood's strategies rest upon a values-steered culture and core values, on sustainability and on community engagement. Axfood's business concept is to be a family of successful and distinctive food concepts in close collaboration. This entails, among other things, that every food concept shall offer the best customer experience for its target group, and that purchasing and logistics for all of the food concepts are handled in a joint organization. This results in collaboration that creates an efficient and strong group. Axfood's strategy, vision and goals are described in more detail on the Company's website: [www.axfood.se](http://www.axfood.se).

Successful implementation of Axfood's business strategy and capitalization of Axfood's long-term interests, including its sustainability, requires that Axfood can recruit and retain qualified employees with the right competence. Achieving this requires that Axfood can offer competitive compensation. The guidelines ensure that senior executives can be offered a competitive total compensation package.



## Notes

### Note 8. Information on employees and compensation of directors, the President and other senior executives, cont.

Axfood has established long-term share-based incentive programmes. They have been set by the Annual General Meeting and therefore are not covered by these guidelines. The programmes include the CEO, other senior executives, members of their management teams and key persons. The performance requirements used to assess the outcome of the programmes have a clear coupling to the business strategy and to Axfood's long-term value creation, including sustainability. For further information about these programmes, including the criteria that the outcomes are based on, see <https://www.axfood.com/investors/corporate-governance/annual-general-meeting/>.

The variable compensation shall aim to promote Axfood's business strategy and long-term interests, including sustainability.

#### *Forms of compensation*

Axfood shall offer compensation that is in line with the going rate in the market and is based on factors such as the importance of the work duties and the executive's competence, experience and performance. The compensation may consist of a fixed base salary, short-term variable compensation, pension benefits, insurance and other benefits. In addition, a general meeting of shareholders can – and independent of these guidelines – decide on share-based and share price-related compensation.

#### *Fixed base salary*

Fixed base salary constitutes compensation for a committed work contribution at a high professional level that ultimately aims to create value-added for Axfood's customers, shareholders and employees. Fixed base salary shall be attractive in comparison with the market and be based on the executive's competence, experience and performance. Salaries are reviewed yearly. Senior executives do not receive fees for board assignments in the Axfood Group's subsidiaries and associated companies.

#### *Variable compensation*

In addition to fixed base salary, variable compensation may be payable. Variable compensation shall be coupled to measurable criteria that are formulated to promote the Company's business strategy and long-term interests, including sustainability. The criteria shall be adopted yearly by the Compensation Committee and the Board of Directors. Variable compensation shall be based on the achievement of Axfood's – and where applicable, the subsidiary's – targets for earnings and sales growth as well as the executive's personal goals for the financial year. The measurement period is one year, and the compensation can amount to a maximum of 60% of fixed base salary for the measurement period.

Additional variable compensation may be payable for extraordinary circumstances, provided that such extraordinary arrangements are only made at the individual level for the purpose of recruiting or retaining executives, or as compensation for an extraordinary work contribution on top of the person's normal work duties. Such compensation may not exceed an amount corresponding to 50% of fixed annual salary and may not be awarded more than once a year per individual. Decisions on such compensation shall be made by the Board of Directors following preparation by the Compensation Committee.

When the measurement period for fulfilment of the criteria for payment of variable cash compensation has ended, it shall be assessed and determined to what extent the criteria have been met. In the annual evaluation, the Compensation Committee – or the Board, where applicable – can adjust the targets and/or compensation for both positive and negative extraordinary events, reorganizations and structural changes.

Variable compensation shall not be payable if the Axfood Group has a negative result, regardless of whether the specific targets in applicable cases for a subsidiary and/or the individual goals for the senior executive have been achieved.

#### *Pension and other benefits*

Axfood applies a retirement age of 65 for all senior executives.

For the CEO, pension benefits shall be in accordance with a defined contribution solution. Variable compensation shall not be pensionable. Pension premiums for defined contribution pensions shall amount to a maximum of 35% of pensionable salary (which corresponds to the fixed monthly salary multiplied by a factor of 12.2).

Externally recruited senior executives shall have a defined contribution pension plan in accordance with ITP 1 (except for a new CEO).

Other benefits shall be of limited scope and may include, for example, disability, life and health insurance, and a car, travel and housing benefit.

With respect to employment conditions subject to other rules than those that apply in Sweden, with respect to pension benefits and other benefits, customary adjustments may be made to comply with such compulsory rules or local practice, whereby the overarching purpose of these guidelines shall be met.

#### *Cessation of employment*

For notice of termination served by the employer, the notice period may be a maximum of 12 months. Fixed base salary during the notice period and severance pay may together not exceed an amount corresponding to two years' fixed base salary. For notice given by a senior executive, the notice period may be a maximum of six months, without any right to severance pay.

In addition, compensation may be payable for any noncompete obligation. Such payment shall compensate the executive for possible loss of income and shall only be made during the period that the executive lacks a right to severance pay. The monthly compensation shall amount to a maximum of 60% of the executive's average monthly income for the 12 months preceding the end of employment. The compensation shall be payable during the time that the noncompete obligation applies, which shall be a maximum of nine months after the end of employment.

#### *Salary and terms of employment for employees*

Salary and terms of employment for Axfood's employees have been taken into account in the drafting of the Board's proposal for these compensation guidelines. Information on the employees' total compensation, compensation components and the increase in compensation and the rate of growth over time has made up part of the Compensation Committee's and the Board's decision-making documentation in their evaluation of the fairness of the guidelines and the limitations that emanate from these.

#### *Decision-making process for adopting, reviewing and implementing the guidelines*

The Board of Directors has established a Compensation Committee. The committee's duties include conducting preparatory work for the Board's decisions on proposed guidelines for compensation of senior executives, compensation and other terms of employment for this group. The Board shall draw up a proposal for new guidelines at least every four years and submit the proposal for decision by the Annual General Meeting.

The guidelines shall apply until new guidelines have been adopted by a general meeting of shareholders. The Compensation Committee shall also monitor and evaluate ongoing programmes and programmes concluded during the year for variable compensation for members of the Executive Committee, application of guidelines for compensation of senior executives, and applicable compensation structures and compensation levels at Axfood. The Compensation Committee's members are independent in relation to Axfood and the Executive Committee. In the Board's handling of and decisions on compensation-related matters, the CEO or other members of the Executive Committee are not present to the extent they are the subject of the matter at hand.

#### *Departures from the guidelines*

The Board of Directors may decide to temporarily depart from the guidelines entirely or partly if in specific cases there are special reasons for doing so and a departure is necessary to safeguard the Axfood Group's long-term interests, including sustainability, or to safeguard the Group's financial soundness. As stated above, it is part of the Compensation Committee's duties to conduct preparatory work for the Board's decisions on compensation matters, which includes decisions to depart from the guidelines.



## Notes

**9 Auditors' fees**

	Group		Parent Company	
	2020	2019	2020	2019
<b>Deloitte</b>				
Auditing fees	5	5	1	1
Auditing activities in addition to the audit assignment	0	0	0	0
Other services	0	5	0	-
<b>Total</b>	<b>5</b>	<b>10</b>	<b>2</b>	<b>1</b>

By audit assignment is meant the statutory audit of the annual report and consolidated financial statements and bookkeeping, the Board of Directors' and President's administration, and auditing and other review activities performed in accordance with an agreement or contract. Other services pertain to tax consulting and other consulting.

**10 Depreciation/amortization**

Group	Other intangible assets		Land and buildings		Equipment, tools, fixtures and fittings		Right-of-use-assets		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Cost of goods sold	157	161	3	3	517	491	598	560	1,275	1,216
Selling expenses	1	-	0	0	45	44	725	688	771	732
Administrative expenses	10	10	0	0	61	56	135	132	206	198
<b>Total depreciation/amortization</b>	<b>168</b>	<b>171</b>	<b>3</b>	<b>3</b>	<b>623</b>	<b>591</b>	<b>1,458</b>	<b>1,380</b>	<b>2,252</b>	<b>2,146</b>

The Parent Company's depreciation of SEK 4 m (3) pertains to equipment, tools, fixtures and fittings and is reported under administrative expenses.

**11 Leases****Lessee**

The Group leases several types of assets including premises, vehicles, machinery and IT equipment.

**Right-of-use assets**

Group	Premises	Vehicles	Other	Total
Depreciation during the year	-1,383	-66	-9	-1,458
<b>Closing balance at 31 December 2020</b>	<b>5,505</b>	<b>142</b>	<b>9</b>	<b>5,656</b>

	Premises	Vehicles	Other	Total
Depreciation during the year	-1,302	-67	-11	-1,380
<b>Closing balance at 31 December 2019</b>	<b>5,267</b>	<b>126</b>	<b>13</b>	<b>5,407</b>

Additional right-of-use assets in 2020 amounted to SEK 1,725 m (971).

This amount includes the cost of newly acquired rights of use during the year totalling SEK 693 m (325) and revaluations of SEK 1,032 m (647).

**Lease liabilities**

For a term analysis of lease liabilities, see Note 26, Financial risks.

**Amounts reported in the Statement of profit or loss and other comprehensive income**

Group	2020	2019
Depreciation of right-of-use assets	-1,458	-1,380
Interest on lease liabilities	-108	-109
Variable lease payments not included in the measurement of the lease liability	-105	-95
Income from subletting of right-of-use assets	115	107
Costs for short-term leasing	-9	-3
Costs for leases with low value, not short-term leases of low value	-4	-4

**Amounts reported in the Statement of cash flows**

	2020	2019
<b>Total outgoing cash flow attributable to leases</b>	<b>-1,734</b>	<b>-1,653</b>

The outgoing cash flow above includes both amounts for leases recognized as a lease liability and amounts paid for variable lease payments, short-term leases and leases of low value.

**Leases of premises**

The Group leases premises for stores, warehouses and offices. The leases normally have a term of between three and ten years. Certain leases include variable lease payments that are based on changes in the Group's sales in the leased premises during the year. Property taxes charged by the property owner also constitute a variable payment. The Group has obligations for variable lease payments going forward, which follow the term of the leases.

The Group sublets certain premises as operating leases.

A long-term lease for the logistics centre in Bålsta was signed in 2019 with the property owner NREP Logcenters. The lease covers a rental period of 25 years and is a so-called open book arrangement. The rent is related to the construction cost and will not be determined until construction is completed. This arrangement gives Axfood control over the project and minimizes long-term rental costs. The rental obligation under the lease will be reported when the premises are available for use.

**Extension and termination options**

Certain leases include extension options and termination options that the Group may or may not exercise up until one year before the expiration of the non-cancellable lease term. Whether or not it is reasonably certain that an option will be exercised is determined on the commencement date of the lease. The most common is for the lease term to correspond to the contractual lease term without extensions. The Group reconsiders whether or not it is reasonably certain that an option will be exercised if an important event or significant changes in circumstances take place that are within the Group's control. At the latest, an extension of a lease is made in connection with the option's expiration.



## Notes

Note 11. Leases, cont.

**Leases of vehicles and other leases**

The Group leases vehicles with lease terms of two to seven years in most cases. Extension options exist only to a negligible extent.

In addition, the Group has other leases for equipment such as bale presses and compactors with lease terms of between one and three years.

## Non-cancellable lease payments amount to:

Parent Company	2020	2019
Within one year	44	39
Between one and five years	86	115
Longer than five years	-	-

## Expensed payments for operating leases amount to:

Parent Company	2020	2019
Minimum lease payments	44	39
Variable charges	-	-
<b>Total leasing costs<sup>1)</sup></b>	<b>44</b>	<b>39</b>
Leasing income pertaining to sublet premises	36	28

<sup>1)</sup> Of which, rents for premises SEK 44 m (39).

**Lessor**

Leasing income from leases where the Group is lessor is as follows.

**Operating leases**

Group	2020	2019
Income from subletting of right-of-use assets	115	107

**Operating leases**

The Group sublets store premises. The Group classifies these leases as operating leases since the leases do not transfer significant risks and rewards incidental to ownership of the underlying asset.

Following is a term analysis of lease payments which shows the undiscounted lease payments to be received after the balance sheet date.

Group	2020	2019
Within one year	113	103
Between one and two years	95	83
Between two and three years	76	67
Between three and four years	46	46
Between four and five years	30	26
Later than five years	18	28
<b>Total undiscounted lease payments</b>	<b>378</b>	<b>353</b>

## 12 Related party transactions

The Axfood Group's transactions with related parties, aside from those covered by the consolidated accounting, consist of transactions with associated companies and with subsidiaries within the Axel Johnson Group. All prices are set on an arm's length basis.

Axfood AB is 50.1%-owned by Axel Johnson AB. The Axfood Group's transactions with related parties consist of transactions with Martin & Servera AB, AxFast AB and Åhléns AB, all companies are companies within the Axel Johnson Group. Martin & Servera AB delivers foodservice products to Axfood companies, AxFast AB leases properties to companies in the Axfood Group. Åhléns AB leases premises to companies in the Axfood Group.

Axfood's associated companies owned no shares in Axfood AB as per 31 December 2020.

Group	Sales to related parties		Purchases from related parties		Receivables from related parties		Liabilities to related parties	
	2020	2019	2020	2019	2020	2019	2020	2019
Associated companies	50	11	-	-	12	-	-	-
Other related parties	17	16	120	129	2	0	18	18
<b>Total</b>	<b>67</b>	<b>27</b>	<b>120</b>	<b>129</b>	<b>14</b>	<b>0</b>	<b>18</b>	<b>18</b>

## 13 Net financial items

	Group		Parent Company	
	2020	2019	2020	2019
Interest income	6	5	0	0
Dividends from participations in Group companies	-	-	-	22
Interest income from Group accounts	-	-	7	4
Other financial income	9	0	0	0
	<b>16</b>	<b>5</b>	<b>8</b>	<b>27</b>
Interest expenses	-6	-9	0	0
Interest expenses for leasing	-108	-109	-	-
Other financial expenses	-18	-1	-10	-1
	<b>-132</b>	<b>-120</b>	<b>-10</b>	<b>-2</b>
<b>Net financial items</b>	<b>-116</b>	<b>-115</b>	<b>2</b>	<b>25</b>

Interest income in the Parent Company from Group companies totalled SEK 7 m (4). Interest expenses in the Parent Company to Group companies totalled SEK 0 m (-).



## 14 Appropriations and untaxed reserves

	2020	2019
Parent Company		
<b>Appropriations</b>		
Group contribution received	2,367	2,182
Group contribution paid	-	-90
Provision to tax allocation reserve	-640	-571
Dissolution of tax allocation reserve	355	304
Change in accumulated excess depreciation	0	0
<b>Total</b>	<b>2,082</b>	<b>1,825</b>
<b>Untaxed reserves</b>		
Tax allocation reserves	3,191	2,906
Accumulated excess depreciation	1	1
<b>Total</b>	<b>3,192</b>	<b>2,907</b>

## 15 Taxes

	Group		Parent Company	
	2020	2019	2020	2019
<b>Current tax</b>				
Current tax on profit for the year	-458	-388	-417	-366
Adjustment of current tax from previous years	1	-18	0	3
	<b>-457</b>	<b>-406</b>	<b>-417</b>	<b>-363</b>
<b>Deferred tax</b>				
Deferred tax on temporary differences	-74	-88	-1	-1
	<b>-74</b>	<b>-88</b>	<b>-1</b>	<b>-1</b>
<b>Total reported tax charge</b>	<b>-531</b>	<b>-494</b>	<b>-418</b>	<b>-364</b>

### Group – reconciliation of applicable tax rate and effective tax rate

	2020	%	2019	%
Reported profit before tax	2,394		2,173	
Tax based on applicable tax rate for Parent Company	-512	-21.4	-465	-21.4
Tax effect of:				
Other non-deductible expenses	-22	-0.9	-15	-0.7
Other tax-exempt revenues	4	0.2	3	0.1
Adjustments of current tax pertaining to previous years	0	0.0	-18	-0.8
Adjustments of deferred tax pertaining to previous years	0	0.0	0	0.0
Adjustments of deferred tax pertaining to changed tax rates	-1	0.0	1	0.0
<b>Reported tax charge/effective tax rate</b>	<b>-531</b>	<b>-22.2</b>	<b>-494</b>	<b>-22.8</b>
Tax attributable to other comprehensive income <sup>1)</sup>	14		17	

<sup>1)</sup> Of which, attributable to changed tax rates SEK 1 m (-).

### Parent Company – reconciliation of applicable tax rate and effective tax rate

	2020	%	2019	%
Reported profit before tax	1,925		1,714	
Tax based on applicable tax rate for Parent Company	-412	-21.4	-367	-21.4
Tax effect of:				
Other non-deductible expenses	-1	-0.0	-1	-0.1
Other tax-exempt revenues	-	-	5	0.3
Taxable income not recognized in the income statement	-5	-0.2	-4	-0.2
Adjustments of current tax pertaining to previous years	0	0.0	3	0.2
Adjustments of deferred tax pertaining to changed tax rates	0	0.0	0	0
<b>Reported tax charge/effective tax rate</b>	<b>-418</b>	<b>-21.7</b>	<b>-364</b>	<b>-21.2</b>
Current and deferred tax items reported directly against shareholders' equity	-		-	



## Notes

Note 15. Taxes, cont.

## Reported deferred tax assets and tax liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Intangible assets	-86	-97	-	-
Equipment, tools, fixtures and fittings	11	10	-	-
Deficit	71	65	-	-
Other receivables	-	0	-	-
Untaxed reserves	-868	-789	-	-
Provisions	41	43	7	8
Right-of-use assets/lease liabilities	74	84	-	-
Other liabilities	31	18	-	-
<b>Total deferred tax asset (+)/deferred tax liability (-), net</b>	<b>-726</b>	<b>-665</b>	<b>7</b>	<b>8</b>
Deferred tax asset	253	237	7	8
Deferred tax liability	-979	-902	-	-

The Group has no unreported deferred tax assets or tax liabilities pertaining to temporary differences.

Tax attributable to other comprehensive income<sup>1)</sup>

Group	2020			2019		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Translation differences	-	-	-	0	0	0
Fair value currency forward contracts	-65	13	-51	-41	9	-32
Actuarial gains and losses	-6	1	-5	-37	8	-29
<b>Other comprehensive income</b>	<b>-72</b>	<b>14</b>	<b>-56</b>	<b>-78</b>	<b>17</b>	<b>-61</b>

<sup>1)</sup> The Parent Company has no taxes attributable to other comprehensive income.

## Group, change in deferred tax

	2020			
	Amount at start of year	Recognized in profit for the year	Recognized in other comprehensive income	Amount at end of year
Intangible assets	-97	11	-	-86
Equipment, tools, fixtures and fittings	10	1	-	11
Deficit	65	6	-	71
Other receivables	0	0	-	-
Untaxed reserves	-789	-79	-	-868
Provisions	43	-2	1	41
Right-of-use assets/lease liabilities	84	-11	-	74
Other liabilities	18	0	13	31
<b>Total</b>	<b>-665</b>	<b>-74</b>	<b>14</b>	<b>-726</b>

	2019				
	Amount at start of year	Recognized in profit for the year	Recognized directly against shareholders' equity	Recognized in other comprehensive income	Amount at end of year
Intangible assets	-99	2	-	-	-97
Equipment, tools, fixtures and fittings	10	0	-	-	10
Deficit	77	-12	-	-	65
Other receivables	-2	2	-	-	0
Untaxed reserves	-729	-60	-	-	-789
Provisions	40	-4	-	8	43
Right-of-use assets/lease liabilities	-	-14	98	-	84
Other liabilities	9	0	-	9	18
Effect of changed tax rates	3	-3	-	-	-
<b>Total</b>	<b>-691</b>	<b>-88</b>	<b>98</b>	<b>17</b>	<b>-665</b>



## 16 Earnings per share

Group	2020	2019
Earnings per share before dilution, SEK	9.12	7.87
Earnings per share after dilution, SEK	9.09	7.85
Number of shares outstanding at end of period	209,198,604	209,298,712
Average number of shares outstanding before dilution	209,253,740	209,380,332
Average number of shares outstanding after dilution	209,877,099	209,878,569

Dilution due to long-term share-based incentive programmes (LTIP) is shown in the table.

## 17 Intangible assets

Group	Goodwill		Intangible assets in progress		Other intangible assets <sup>1)</sup>	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Opening cost	2,767	2,767	167	78	2,084	1,980
Adjustment of purchase price allocation	-	-3	-	-	-	5
Investments	2	3	196	172	15	2
(of which, internally developed)	-	-	(51)	(43)	-	-
Disposals	-	-	-	-	-4	-2
Reclassifications	-	-	-100	-83	102	99
(of which, internally developed)	-	-	(-45)	(-83)	(45)	(83)
<b>Closing accumulated cost</b>	<b>2,769</b>	<b>2,767</b>	<b>263</b>	<b>167</b>	<b>2,197</b>	<b>2,084</b>
Opening amortization	-	-	-	-	-1,470	-1,300
Disposals	-	-	-	-	4	1
Amortization for the year	-	-	-	-	-168	-171
<b>Closing accumulated amortization</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,634</b>	<b>-1,470</b>
Opening impairment	-	-	-	-	-76	-76
<b>Closing accumulated impairment<sup>2)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-76</b>	<b>-76</b>
<b>Closing planned residual value</b>	<b>2,769</b>	<b>2,767</b>	<b>263</b>	<b>167</b>	<b>487</b>	<b>538</b>

<sup>1)</sup> Of other intangible assets, SEK 336 m (379) pertains to IT development, SEK 138 m (138) to trademarks, SEK 4 m (8) pertains to leaseholds, and SEK 9 m (13) to customer relationships.

<sup>2)</sup> Pertains to impairment of trademarks.

### Goodwill

Goodwill is broken down and tested at the level of cash generating units, which are identified as Axfood's segments. The Group's reported goodwill as per 31/12/2020 is broken down as follows:

	31/12/2020	31/12/2019
Hemköp	606	617
Willys	915	902
Snabbgross	57	57
Dagab	1,191	1,191
<b>Total</b>	<b>2,769</b>	<b>2,767</b>

### Other intangible assets

The Group's intangible assets in progress consist mainly of capitalized costs for IT development. Other intangible assets consist of IT development, trademarks, customer relationships and leaseholds.

The useful life of all intangible assets except for goodwill and trademarks is limited and is described in Note 1.

Amortization of other intangible assets is broken down in the Statement of profit or loss and other comprehensive income in accordance with Note 10.

### Impairment testing of intangible assets

Estimations of the value of the Group's goodwill items and other intangible assets are based exclusively on the cash-generating units' value in use. Value in use is based on cash flows after tax that are estimated to be generated during the remaining useful life of the units, with an assumption of infinite useful life.

For the first year, the future cash flows that have been used in calculat-

ing the respective units' value in use are based on the business plan for 2021 for the respective units. Thereafter, the cash flows are based on assumed annual growth of 2.0% (2.0%). Starting in 2019, the projected cash flows have been discounted to present value taking into account IFRS 16 Leases, which has resulted in a discount rate of 5.8% after tax, which corresponds to a discount rate before tax of approximately 6.8%. The discount rate corresponds to Axfood's estimated average cost of capital, i.e., the weighted sum of the required rate of return on equity and the cost of externally borrowed capital. The required rate of return on equity is based on an assumption of risk-free interest of 0.0% (3.0%), a going-rate risk premium of 7.4% (4.4%), a company-specific premium of 1.2% (1.1%), and a beta coefficient of 0.4 (0.5). The beta coefficient shows the relationship between the price of Axfood's shares and changes in a benchmark index. With a discount factor of 5.8% (6.0%) after the effect of IFRS 16, value in use exceeds the carrying amount for all tested units. Thus, there is no need to recognize impairment as per 31 December 2020. Future cash flows for all units are based on the same assumptions. Important assumptions, i.e., assumptions that have a large effect on cash flows in the event of changes, include the discount rate and assumptions on future price and volume developments. In the 2021 business plan, which forms the basis for cash flow calculations, the Executive Committee has made assumptions of price and volume growth, which are based on estimates performed both by the Executive Committee and external parties of the price and volume trend in Sweden for food retail products in Axfood's assortment. This estimate is based on previous years' experience and on the anticipated competitive situation in the industry. In the opinion of the Executive Committee, reasonable, possible changes in these assumptions would not have such large effects that they would individually reduce the recoverable value to a value that is lower than the carrying amount.



## 18 Property, plant and equipment

Group	Land and buildings		Equipment, tools, fixtures and fittings		Construction in progress	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Opening cost	156	153	7,607	7,346	584	155
Change of accounting policy	-	-	-	-182	-	-
Acquisitions	-	1	-	2	-	-2
Investments	3	5	551	616	263	682
Sales and disposals	-	-4	-479	-409	-	-
Reclassifications	-	1	230	234	-234	-251
<b>Closing accumulated cost</b>	<b>159</b>	<b>156</b>	<b>7,910</b>	<b>7,607</b>	<b>613</b>	<b>584</b>
Opening depreciation	-10	-7	-5,592	-5,444	-	-
Change of accounting policy	-	-	-	60	-	-
Sales and disposals	-	-	459	383	-	-
Depreciation for the year	-3	-3	-623	-591	-	-
<b>Closing accumulated depreciation</b>	<b>-13</b>	<b>-10</b>	<b>-5,756</b>	<b>-5,592</b>	<b>-</b>	<b>-</b>
Opening impairment	-	-	-1	-1	-	-
<b>Closing accumulated impairment</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-1</b>	<b>-</b>	<b>-</b>
<b>Closing planned residual value</b>	<b>146</b>	<b>146</b>	<b>2,153</b>	<b>2,014</b>	<b>613</b>	<b>584</b>

Parent Company	Equipment, tools, fixtures and fittings	
	31/12/2020	31/12/2019
Opening cost	72	57
Investments	27	15
Sales and disposals	-7	-1
<b>Closing accumulated cost</b>	<b>92</b>	<b>72</b>
Opening depreciation	-55	-52
Sales and disposals	2	0
Depreciation for the year	-4	-3
<b>Closing accumulated depreciation</b>	<b>-58</b>	<b>-55</b>
<b>Closing planned residual value</b>	<b>35</b>	<b>17</b>

## 19 Government grants

Government grants in the form of labour market policy grants amounted to SEK 0 m (0) in the statement of financial position, reported under prepaid income, and SEK 47 m (48) in the statement of comprehensive income, which reduced payroll costs.

Government grants for coronavirus relief in the form of compensation for sick pay costs amounted to SEK 11 m (-), reported under accrued income in the statement of financial position, and SEK 96 m (-) in the statement of comprehensive income, among other operating income. Axfood's increased sick pay costs are estimated to have amounted to approximately SEK 65 m.

No other unfulfilled conditions or contingent liabilities exist.



## 20 Participations in Group companies

Parent Company	2020	2019
Opening cost	3,747	3,736
Acquisitions during the year	-	-
Shareholder contribution	63	11
<b>Closing accumulated cost</b>	<b>3,809</b>	<b>3,747</b>
<b>Closing accumulated impairment</b>	<b>-350</b>	<b>-350</b>
<b>Closing accumulated book value</b>	<b>3,459</b>	<b>3,397</b>

2020

Parent Company	Reg.no.	Registered office	Number of units	Capital and votes, %	Book value 31/12/2020, SEK m	Book value 31/12/2019, SEK m
Willys AB	556163-2232	Gothenburg	1,000	100	445	429
Hemköp-skedjan AB	556113-8826	Stockholm	100,000	100	570	583
Hemköp i Farsta AB	556961-7490	Stockholm	910	91	-	-
Hemköp i Ludvika AB	559019-8841	Ludvika	1,000	100	-	-
Hemköp i Avesta AB	559019-8825	Stockholm	910	91	-	-
Hemköp i Värnamo AB	559019-8833	Stockholm	910	91	-	-
Hemköp i Västerås City AB	559019-8783	Stockholm	910	91	-	-
Hemköp i Härnösand AB	559069-0854	Stockholm	910	91	-	-
Hemköp i Tallboda AB	559067-5467	Linköping	1,000	100	-	-
Hemköp i Östervåla AB	559155-7862	Stockholm	910	91	-	-
Hemköp i Östermalm AB	559067-5616	Stockholm	910	91	-	-
Hemköp i Sollentuna AB	559155-7854	Stockholm	1,000	100	-	-
Hemköp 118 AB	559229-8904	Stockholm	1,000	100	-	-
Hemköp 119 AB	559229-8896	Stockholm	1,000	100	-	-
Dagab Inköp & Logistik AB	556004-7903	Stockholm	3,434,656	100	2,139	2,134
Axfood i Lund AB	556807-5310	Stockholm	500	100	-	-
Axfood i Malmö AB	556950-1199	Stockholm	1,000	100	-	-
Axfood i Backa AB	556742-7942	Solna	1,000	100	-	-
Cold Cargo Sweden AB	556930-9460	Gothenburg	50,000	100	-	-
Kokaihop Media AB	556752-4953	Gothenburg	1,000	100	-	-
Falkenberg Seafood AB	556353-8973	Falkenberg	13,000	100	-	-
Hall Miba AB	556865-8149	Alvesta	50,000	100	-	-
Tempo AB	556261-6838	Stockholm	1,000	100	-	-
Urban Deli Holding AB	556958-4781	Stockholm	1,365	91	-	-
Urban Deli AB	556773-1228	Stockholm	125,000	100	-	-
Urban Deli Sickla AB	556908-1465	Stockholm	500	100	-	-
Urban Deli Bageri AB	556810-5638	Stockholm	1,000	100	-	-
Urban Deli Projekt AB	556901-8970	Stockholm	500	100	-	-
Urban Deli S44 AB	556966-6984	Stockholm	500	100	-	-
Axfood IT AB	556035-6163	Stockholm	1,000	100	7	5
Dagab AB	556070-3166	Stockholm	20,000	100	0	0
Axfood Snabbgross AB	556000-3575	Stockholm	1,500	100	48	45
NAX AB	559029-7809	Stockholm	510	51	251	200
Eurocash Food AB	556503-6141	Strömstad	45,000,000	100	-	-
<b>Total, Group companies</b>					<b>3,459</b>	<b>3,397</b>



## 21 Participations in associated companies

Group	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	51	31	-	-
Acquisition of associated companies	0	-	0	-
New issue	27	16	-	-
Shareholder contribution paid	23	9	6	-
Divestment	-	-3	-	-
Dividend	-	-3	-	-
<b>Closing cost</b>	<b>101</b>	<b>51</b>	<b>6</b>	-
Adjustments of shareholders' equity pertaining to investments in associated companies				
Opening carrying amount	-35	-10	-	-
Share in profit after tax <sup>1)</sup>	-38	-25	0	-
<b>Closing carrying amount</b>	<b>-73</b>	<b>-35</b>	<b>0</b>	-
<b>Book value</b>	<b>28</b>	<b>16</b>	<b>6</b>	-

<sup>1)</sup> Corresponds to total comprehensive income.

### 2020

Associated companies	Reg. no.	Registered office	Number of shares	Share of voting capital, %	Book value
<b>Owned directly by Axfood AB</b>					
Axpay AB	558236-9341	Stockholm	25,000	25.0	6
<b>Owned indirectly by Axfood AB</b>					
Apohem AB	559094-8401	Stockholm	236,230	52.6	22
Svinesund Handels AB	556872-4362	Strömstad	240	24.0	0
United Nordic Inc AB	556043-4606	Solna	250	25.0	0
<b>Total</b>					<b>28</b>

### 2019

Associated companies, Group	Reg. no.	Registered office	Number of shares	Share of voting capital, %	Book value
Apohem AB	559094-8401	Stockholm	178,738	51.3	16
Svinesund Handels AB	556872-4362	Strömstad	240	24.0	0
United Nordic Inc AB	556043-4606	Solna	250	25.0	0
<b>Total</b>					<b>16</b>

The online pharmacy Apohem is a company that is jointly owned by Axfood and two additional parties. Axfood owns 52.6% (51.3%) of the company through Dagab. All significant decisions about the operations of Apohem are made jointly by the parties in accordance with a shareholder agreement. Based on all relevant information, Apohem is an associated company.

All associated companies are reported in accordance with the equity method.

## 22 Prepaid expenses and accrued income

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Prepaid rents	100	39	-	-
Accrued bonuses and similar	725	752	5	5
Delivered, uninvoiced	0	2	-	-
Other prepaid expenses	173	150	18	21
Other accrued income	36	42	0	0
<b>Total</b>	<b>1,034</b>	<b>984</b>	<b>23</b>	<b>26</b>



## 23 Shareholders' equity

### Share capital

The share capital as per 31 December 2020 amounted to SEK 262,338,390 (262,338,390). The share capital is distributed among 209,870,712 shares (209,870,712), of which the number of shares outstanding was 209,198,604 (209,298,712) on 31 December 2020. The Company has only one class of stock, with equal voting power and equal entitlement to the Company's profits and equity. There are no limitations regarding how many votes each shareholder may exercise at general meetings of shareholders. The share quota value is SEK 1.25 (1.25).

### Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash flow hedge instruments attributable to hedge transactions that have not yet been carried out. A compilation of the change in value of the hedging reserve during the year is provided in Note 26.

### Capital management

According to Axfood's finance policy, the foundation of the Axfood Group's financial strategy is to create sound financial conditions for the Group's operations and development. An important parameter is the Group's equity ratio target of 20% at year-end. Axfood's revolving credit facility is bound by a covenant which was met during the entirety of 2020. During the year, no changes were made in the Group's principles for capital management. Other than interest-bearing pension liabilities and leases, Axfood has no external borrowing, whereby the Group defines capital as shareholders' equity.

## 24 Provisions for pensions

### Group

	2020	2019
Defined benefit pension plans		
Present value of funded obligations	8	9
Present value of unfunded obligations	403	420
Total present value of obligations	411	429
Fair value of plan assets	-8	-8
Present value of net obligations	403	421
<b>Net liability in statement of financial position</b>	<b>403</b>	<b>421</b>
Amounts reported in statement of financial position		
- provisions	403	421
- assets	-	-
<b>Net liability in statement of financial position</b>	<b>403</b>	<b>421</b>

Of Axfood's net liability for defined benefit pension plans in Sweden, SEK 387 m (399) consists of obligations within the PRI system. All obligations are locked, which for Axfood's part entails that all new earning now takes place in the Alecta system. Obligations in the PRI system are unfunded pension plans, which is why these are reported in their entirety as Provision for pensions.

The net liability also includes the Company's own defined benefit pension plans, totalling SEK 15 m (20). These are unfunded plans and are reinsured with PRI.

In addition to unfunded pension plans, Axfood has an individually funded pension plan that is managed by the Axel Johnson pension foundation. Axfood is entitled to benefits from the foundation in maximum amounts corresponding to the pension obligation. The obligation is reported net and amounts to SEK 0 m (1). The actual return on plan assets was SEK 0 m (0), which corresponded to the expected return. No fees were paid in to the foundation during the year. Compensation of SEK 1 m (0) was received from the foundation during the year.

	2020	2019
Changes in the present value of defined benefit obligations		
Obligations for defined benefit plans as per 1 January	429	419
Benefits paid	-27	-27
Interest expense	5	8
Remeasurements:		
Actuarial gains and losses on changed financial assumptions	9	31
Experience-based adjustments	-4	-2
<b>Obligations for defined benefit plans</b>	<b>411</b>	<b>429</b>

	2020	2019
The present value of obligations is distributed among the plans' members as follows:		
Active	0	0
Persons on disability pensions	4	8
Owners of paid-up policies	528	574
Retirees	1,309	1,349
<b>Total number of pledges included in the obligation</b>	<b>1,841</b>	<b>1,931</b>

	2020	2019
Change in net liability during the year		
Net liability at start of year	421	411
Compensation from pension foundation	1	0
Net expense in profit for the year	4	8
Pension disbursements	-27	-27
Actuarial losses/gains reported as a liability	5	29
<b>Net liability at year-end</b>	<b>403</b>	<b>421</b>



## Notes

## Note 24. Provisions for pensions and similar obligations, cont.

Costs recognized in profit for the year	2020	2019
<b>Defined benefit pension plans</b>		
Earned benefits	-	-
Interest expense	5	8
Actual return on plan assets	0	0
<b>Total</b>	<b>5</b>	<b>8</b>
<b>Defined contribution pension plans</b>		
Costs during the period	370	359
<b>Total pension cost</b>	<b>375</b>	<b>367</b>

Pension insurance premiums paid during the year to Alecta for pension insurance under the ITP plan amounted to SEK 134 m (126). Alecta's surplus can be apportioned among the policyholders and/or the insureds. As per 31 December 2020, Alecta's surplus in the form of its collective funding ratio was 148% (148%). The collective funding ratio consists of the market value of Alecta's assets measured as a percentage of the insurance obligations calculated using Alecta's actuarial computation assumptions, which is not compatible with IAS19.

Pension costs are broken down per function in profit for the year as follows	2020	2019
Cost of goods sold	200	200
Selling expenses	85	83
Administrative expenses	85	76
Interest expense	5	8
<b>Total</b>	<b>375</b>	<b>367</b>

Income and expenses reported in other comprehensive income	2020	2019
<b>Defined benefit pension plans</b>		
Remeasurements:		
Net actuarial gains/losses <sup>1)</sup>	-6	-37
<b>Net income and expenses reported in other comprehensive income</b>	<b>-6</b>	<b>-37</b>

<sup>1)</sup> Including special employer's payroll tax

The following actuarial assumptions have been made in calculating the present value of defined benefit obligations:

	2020	2019
Discount rate	0.80%	1.15%
Future annual pension increases (inflation)	1.50%	1.70%
Duration <sup>1)</sup>	14.0 years	14.0 years
Longevity assumption after 65 years		
- men	22 years	22 years
- women	24 years	24 years

<sup>1)</sup> Corresponds to the average remaining duration of the obligations.

**Effects on future cash flows**

The Group estimates that approximately SEK 27 m (27) will be paid towards defined benefit plans in 2021.

**Sensitivity analysis**

The following sensitivity analysis reports how changes in actuarial assumptions as per the accounting date – with other assumptions unchanged – would affect the defined benefit obligation.

	Increase	Decrease
Discount rate (-/+ 0.5% change)	31	28
Inflation (+/- 0.5% change)	31	27
Longevity (+/- 1 year change)	20	19

**Parent Company**

Reported capital value of pension obligations	2020	2019
Reported capital value on 1 January	20	24
Benefits paid	-5	-5
Interest expense	0	1
<b>Reported capital value of pension obligations</b>	<b>15</b>	<b>20</b>

The Parent Company's reported pension liability amounted to SEK 15 m (20) and pertains to obligations to the former president. The Parent Company does not have any special, detachable assets linked to its pension obligations, which is why the entire present value is carried on the balance sheet.

Of the Parent Company's reported pension liability, SEK 15 m (20) is covered by credit insurance via PRI.

Pension costs	2020	2019
<b>Own undertakings</b>		
Liability indexing of undertakings	-	-
Interest expense	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Undertakings through insurance</b>		
Insurance premiums <sup>1)</sup>	21	21
Special employer's payroll tax on pension contributions	5	5
<b>Total</b>	<b>26</b>	<b>26</b>
<b>Pension costs for the year</b>		
	<b>26</b>	<b>26</b>

<sup>1)</sup> Of which, premiums paid to Alecta for pension insurance according to the ITP plan, totalling SEK 17 m (16).

**Assumptions for defined benefit obligations**

The terms of the pension agreements entered into by the Parent Company entail that the value of the obligations is indexed upward each year by an average of approximately 0.39% (1.45%).

It is estimated that approximately SEK 5 m (5) will be paid out in pensions by the Parent Company in 2021.



## 25 Financial assets and liabilities

Group	2020		
	Fair value hedge instruments	Mandatorily measured at fair value through profit or loss	Financial assets and liabilities measured at amortized cost
			Total
<b>Financial assets not measured at fair value</b>			
Other long-term securities holdings			0 0
Other non-current receivables			6 6
Accounts receivable – trade			1,033 1,033
Cash and cash equivalents			1,534 1,534
<b>Total financial assets</b>	–	–	<b>2,573 2,573</b>
<b>Financial liabilities measured at fair value</b>			
Other current liabilities – Currency forward contracts (Level 2)	49		49
Other non-current liabilities – Currency forward contracts (Level 2)	65		65
<b>Financial liabilities not measured at fair value</b>			
Accounts payable – trade			4,424 4,424
<b>Total financial liabilities</b>	<b>114</b>	–	<b>4,424 4,538</b>

Group	2019		
	Fair value hedge instruments	Mandatorily measured at fair value through profit or loss	Financial assets and liabilities measured at amortized cost
			Total
<b>Financial assets not measured at fair value</b>			
Other long-term securities holdings			0 0
Other non-current receivables			6 6
Accounts receivable – trade			1,062 1,062
Cash and bank balances			798 798
<b>Total financial assets</b>	–	–	<b>1,866 1,866</b>
<b>Financial liabilities measured at fair value</b>			
Other non-current liabilities – Contingent consideration (Level 3)		15	15
Other current liabilities – Currency forward contracts (Level 2)	4		4
Other non-current liabilities – Currency forward contracts (Level 2)	42		42
<b>Financial liabilities not measured at fair value</b>			
Accounts payable – trade			3,832 3,832
<b>Total financial liabilities</b>	<b>46</b>	<b>15</b>	<b>3,832 3,893</b>

### Fair value of financial instruments

Currency forward contracts are measured at fair value based on the Central Bank of Sweden's prices on the accounting date. The contingent consideration reported at fair value as per 31 December 2019 was dissolved in its entirety during the period, based on an assessment of future sales and

earnings performance for the Urban Deli Group. The change in value has been reported in operating profit during the period.

For other financial assets and liabilities, the carrying amount represents a reasonable approximation of fair value.

## 26 Financial risks

### Framework for financial risk management

The Axfood Group is exposed to financial risks, which are described under the respective type of risk below. The Axfood Group has a Group-wide finance policy that regulates the delegation of responsibility on financial matters between the Board, the CEO, the CFO, Group Treasury and other Group companies. The Group's external financial management is centralized in the central finance department of the Parent Company, Axfood AB. Group Treasury reports monthly to the CFO with a follow-up of the finance policy. The same report is also presented to the Board four times a year.

### Financing and refinancing risk

Refinancing risk is defined as the risk that the Axfood Group at any given time cannot finance or refinance the Group's operations, or that it can only do so at a considerably higher cost. Responsibility for the Group's procurement in central financing matters rests with Group Treasury. The Group's external financing from credit institutions (mainly banks) is conducted by the Parent Company, while subsidiaries finance their operations through the central Group account systems.

To limit the risk and financial loss associated with the Axfood Group's

inability to finance the Group's operations at any given time, a minimum permissible average remaining duration of 12 months has been set for the Group's credit facilities. In addition, Axfood shall ensure that a maximum of 25% of requisite credit facilities falls due within 12 months. The guiding principle for the use of external credits, including leasing, shall be the financial cost taking into account the risk limitation rules laid out in the finance policy.

### Liquidity risk

Liquidity risk is defined as the risk of the Axfood Group being unable to meet its short-term payment obligations. Axfood mitigates its liquidity risk by coordinating the management of surplus liquidity and financing within the Group. In addition, liquidity risk is mitigated by Axfood ensuring that a liquidity reserve is always available that can handle fluctuations in prognosticated cash flow during the coming 12 months. The liquidity reserve shall amount to a minimum of SEK 500 m and is calculated as the sum of available cash and short-term investments, and unutilized credit facilities at the end of every business day. Bank overdraft facilities may not be included in the credit framework in calculation of the liquidity reserve.

## Notes

## Note 26. Financial risks, cont.

## Group

	31/12/2020	31/12/2019
<b>Granted credit lines</b>		
Revolving credit facility	3,600	3,600
<b>Total granted credit lines</b>	<b>3,600</b>	<b>3,600</b>
Drawn revolving credit facility	–	–
<b>Total unutilized credit lines</b>	<b>3,600</b>	<b>3,600</b>
Available bank balances	1,139	376
<b>Liquidity reserve</b>	<b>4,739</b>	<b>3,976</b>
<b>Other overdraft facilities</b>		
Bank overdraft facilities	–	200

## Group

Maturity structure for financial liabilities	<1 yr	1–2 yrs	3–5 yrs	>5 yrs
Forward contracts	49	53	12	–
Trade payables	4,424	–	–	–
Lease liabilities	1,283	1,610	2,233	891
<b>Total</b>	<b>5,756</b>	<b>1,663</b>	<b>2,245</b>	<b>891</b>

## Investment policy

The Axfood Group's investment policy aims to ensure the Axfood Group's ability to pay in the short and long term. Further, the investment policy's purpose is to reduce the Group's external borrowing as much as possible by coordinating the management of surplus liquidity within the Group and to achieve the best possible balance of net financial income and expense within the framework of this policy. Investments may only be made in highly liquid instruments with low credit risk, i.e., investments that can be converted to cash and cash equivalents at any given point in time. As per 31 December 2020 the Axfood Group had only account balances in Swedish banks with a minimum rating of A- according to Standard & Poor's, which are approved counterparties in the finance policy.

## Interest rate risks

Interest rate risk is defined as the risk that changes in interest rates will have a negative effect on the Group's earnings. Interest rate risk is managed through defined interest rate risk norms for the finance department and other Group companies. In addition, a mandate is given to go outside of this norm in the form of an interest rate risk limit. The Axfood Group's interest rate risk associated with interest-bearing assets is to be managed by investing cash and cash equivalents in such a way that maturity dates for investments with fixed rates of interest match the Axfood Group's known outflows and/or amortization of principal. The norm for Axfood is a remaining average term of fixed interest rates in the asset portfolio of 12 months. The goal is that no fixed-income investments shall be sold prior to maturity. As per 31 December 2020 the Axfood Group had no restricted fixed-income investments.

Interest rate risk and cash flow risk in the Group's debt portfolio shall be limited. The norm is to have terms of fixed interest that entail a risk-neutral position. This is achieved by maintaining short terms of fixed interest, which is defined as a remaining average term of fixed interest of 12 months. This interest rate risk norm applies only when the Group has a need for long-term borrowing. As per 31 December 2020 the Axfood Group had no long-term borrowing.

For commercial and administrative reasons, Group Treasury is also given the opportunity to act within the framework of a limited deviation mandate. The deviation mandate entails that Group Treasury has a mandate to deviate +/-12 months in the average term of fixed interest rates to a maximum of 24 months with respect to the asset and debt portfolios. Just as a year ago, the deviation mandate was not exercised.

The effect on interest income during the coming 12-month period of a one percentage point increase or decrease in interest rates on interest-bearing assets amounts to SEK +/-11.4 m (3.8).

As per the end of the reporting period, a 1 percentage point change in interest rates would not entail any significant change in the fair value of financial assets.

During the coming 12-month period, a 1 percentage point increase/decrease in the interest rate on interest-bearing liabilities would amount to SEK +/-61.1 m (59.3).

## Currency risks

Transaction exposure in foreign currency arises in connection with the import of goods paid for in foreign currency and in connection with cross-border sales in Norwegian kroner (NOK). Transaction exposure also arises in connection with investments in non-current assets contracted in foreign currency.

The Axfood Group's finance policy prescribes that 100% of orders are to be hedged at the time the order is placed. Overheads in foreign currency is not hedged.

Currency exposure to investments in non-current assets is hedged at 100% at the time of the contract in cases where the SEK equivalent exceeds SEK 20 m, unless the Board has decided on a different handling. Such a decision has been made regarding the investment in automation with Witron, entailing that hedges have been taken out as follows:

- 100% of the exposure for 2021
- 75% of the exposure for 2022
- 50% of the exposure for 2023
- 25% of the exposure for 2024

The hedge scale above entails that 77% of the remaining contract value on the balance sheet date is hedged.

Approved hedge instruments are forward exchange contracts and currency swap contracts. In 2020 hedges were taken out using these instruments.

The Parent Company did not have any exchange rate exposure during the year.

Sensitivity analysis regarding currency risk 2020, 10% change in exchange rate vs. SEK

## Group

Currency	Net outflow, SEK m	%	Change
EUR	4,996	92.6	+/- 499.6
USD	319	5.9	+/- 31.9
DKK	77	1.4	+/- .77
GBP	5	0.1	+/- 0.5
<b>Total</b>	<b>5,397</b>	<b>100</b>	
 NOK	 -32	 100	 +/- 3.2
<b>Total</b>	<b>-32</b>	<b>100</b>	

The sensitivity analysis above shows a hypothetical impact on cash flow and profit before tax, and before taking currency hedges into account. Currency hedges are always taken out no later than at the time orders are placed, and the hedge rate is always coupled to the respective orders. Based on this value, the price in stores is then determined for the respective products.

Changes in currency forward contracts measured at fair value

## Group

	2020	2019
Amount at start of year	-46	0
Change recognized in other comprehensive income	-65	-41
Realized changes	-3	-5
<b>Amount at end of year</b>	<b>-114</b>	<b>-46</b>

Reported fair value (SEK m) of outstanding forward contracts

Currency	2020	2019
EUR	-111	-45
USD	-3	-1
Other	0	0
<b>Total</b>	<b>-114</b>	<b>-46</b>

Of the reported fair value in EUR, SEK -102 m (-42) consists of hedging for the investment in automation. The reported values of total hedge reserves are presented in the summary pertaining to changes in shareholders' equity. The ineffective portion of cash flow hedges that has been recognized in profit for the year amounts to SEK - m (-).



## Notes

## Note 26. Financial risks, cont.

**Commodity risk policy**

Commodity risk is defined as the risk that changes in commodity prices will have a negative effect on the Group's earnings. Within the Axfood Group, commodity risk arises partly in the traded goods that the Group buys and in partly in operational overheads. Axfood has a policy to not hedge commodity price risks in the operations' traded goods. The Axfood Group's overheads include, for example, electricity prices, and commodity price risk for fuel and containerboard. Electricity price is the most significant commodity risk and the only part of commodity price risk that can be hedged. This risk is managed using financial electricity derivatives in the form of forward contracts with Nord Pool.

**Credit risks**

In the Axfood Group, credit risks and credit losses are mainly attributable to trade receivables, although some risks are coupled to a few minor guarantee commitments. The Group has drawn up a credit policy that stipulates how customer credits are to be handled. The credit policy stipulates, among other things, the conditions for credit assessment, credit monitoring, and for the handling of demands for payment and insolvency. The Group's customers undergo a credit check, whereby information about the customer's financial position is obtained from various credit reporting agencies. In addition, limits are set individually per customer, and security is obtained, such as bank guarantees and chattel mortgages. Through coordination of credit monitoring and its handling of security within the Group, Axfood ensures that its risk exposure and thus its credit losses are kept at a commercially acceptable level.

Financial assets are reported in the statement of financial position after deducting provisions for expected credit losses. There is no concentration of credit risks, neither through exposure to individual borrowers nor groups of borrowers whose financial situation is such that it can be expected to be affected in a similar manner by changes in the external environment. The Parent Company did not have any external credit risks at year-end.

To limit the maximum credit risk in trade receivables, Axfood has received collateral which on the balance sheet date covered SEK 44 m (64) of outstanding trade receivables. Collateral received consists mainly of chattel mortgages, bank guarantees and guarantee commitments. During 2020 a total of SEK 0 m (1) of collateral received was used to settle unpaid trade receivables. The credit quality of unimpaired receivables is considered to be good.

Trade receivables are measured at amortized cost and are covered by the simplified model for credit provisions.

The Group has prepared a loss reserve matrix to measure expected credit losses for trade receivables. The matrix is based on an analysis of actual bad debts during the last three years and is broken down into retail and wholesale companies. The provision for expected credit losses amounts to SEK 7 m, of which SEK 6 m pertains to trade receivables that are longer than 90 days past due.

**Trade receivables**

Group	31/12/2020	31/12/2019
Trade receivables, gross	1,040	1,069
Provision for bad debts	-7	-6
<b>Trade receivables, net</b>	<b>1,033</b>	<b>1,062</b>

Changes in provision for bad debts	31/12/2020	31/12/2019
Opening balance	-6	-8
Provisions	0	-4
Reversals	-1	3
Confirmed and recovered credit losses	1	3
<b>Closing balance</b>	<b>-7</b>	<b>-6</b>

Maturity analysis of trade receivables	31/12/2020	31/12/2019
Trade receivables not due	926	871
Trade receivables past due 0–30 days	80	162
Trade receivables past due >30–90 days	15	23
Trade receivables past due >90–180 days	5	5
Trade receivables past due >180–360 days	9	5
Trade receivables past due >360 days	5	3
<b>Total</b>	<b>1,040</b>	<b>1,069</b>

## 27 Non-current and current interest-bearing liabilities

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<b>Non-current interest-bearing liabilities</b>				
Long-term lease liabilities	4,524	4,131	–	–
Provisions for pensions	403	421	15	20
<b>Total non-current interest-bearing liabilities</b>	<b>4,928</b>	<b>4,552</b>	<b>15</b>	<b>20</b>
<b>Current interest-bearing liabilities</b>				
Short-term lease liabilities	1,184	1,377	–	–
Liabilities to Group companies <sup>1)</sup>	–	–	3,165	1,392
<b>Total current interest-bearing liabilities</b>	<b>1,184</b>	<b>1,377</b>	<b>3,165</b>	<b>1,392</b>

<sup>1)</sup> Reported on the Parent Company balance sheet as part of liabilities to Group companies.

## 28 Accrued expenses and deferred income

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<b>Payroll-related items</b>				
Accrued bonuses and similar	1,599	1,397	67	58
Accrued real estate costs	146	143	–	–
Received, uninvoiced	68	19	–	–
Other accrued expenses	91	104	–	–
Other deferred income	219	223	8	4
<b>Total</b>	<b>103</b>	<b>114</b>	<b>4</b>	<b>3</b>
	<b>2,225</b>	<b>2,000</b>	<b>79</b>	<b>66</b>



## 29 Pledged assets and contingent liabilities

	Group		Parent Company	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
<b>Pledged assets</b>				
Chattel mortgages as collateral for bank guarantees	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Contingent liabilities</b>				
Guarantees for subsidiaries	-	-	256	301
Guarantees for others	2	3	-	-
PRI	5	5	-	-
Other contingent liabilities	12	13	1	1
<b>Total</b>	<b>19</b>	<b>21</b>	<b>256</b>	<b>302</b>

Guarantees for others consist of guarantee commitments for collaborating stores and associated companies. In cases where there is a risk of loss, a provision has been made among expected loan losses. Other contingent liabilities consist primarily of counterbonds for bank guarantees that have been made for the Axfood Group.

For further information on financial risks, see Note 26.

## 30 Events after the balance sheet date

No significant events have occurred after the balance sheet date.

## 31 Critical judgements and estimations

### Impairment testing of goodwill

In calculating cash-generating units' recoverable value in connection with the Company's testing of any need to recognize goodwill impairment, a number of assumptions have been made about future conditions and estimations of parameters. An account of these can be found in Note 17. As stated in the description in Note 17, changes in the underlying conditions for these assumptions and estimations could have a material effect on the value of goodwill. However, the Executive Committee is of the opinion that reasonable, possible changes in these assumptions would not have such a large effect that they individually would reduce the recoverable value to a value that is lower than the carrying amount.

### Assumptions for calculations of pension provisions

The actuarial computation of pension obligations and pension costs is based on actuarial assumptions, which are specified in Note 24. A change in any of these assumptions could have a material effect on calculated pension obligations and pension costs, which is shown in the sensitivity analysis in Note 24. The discount rate is based on the return for long-term home mortgage bonds with a term that corresponds to the Group's average remaining duration of its obligations, which in Axfood's case amounts to 14 years.

The assumptions described in Note 24 do not deviate materially from what can be regarded as standard practice in the Swedish market.

### Assumptions used in calculating right-of-use assets and lease liabilities

#### Extension and termination options

The Group has leases that include extension and termination options. At the commencement date of a lease, a judgement is made to determine if it is reasonably certain to exercise an option by taking into account all relevant factors that create economic incentives to either extend or terminate a lease.

### Discount rate

The Group uses an incremental borrowing rate as the discount rate, which consists of a swap rate for the current term plus a risk premium.

### Guarantee commitments

Axfood AB has a guarantee commitment with NREP Logcenters pertaining to future rents. Since it is extremely unlikely that the commitment will be utilized, it is not reported as a contingent asset or contingent liability.

## 32 Proposed disposition of the Company's profit

The Board of Directors proposes that, of the retained profits of SEK 2,364,404,186, SEK 7.50 per share be paid out in ordinary dividend. The dividend amount will be divided into two equal payments of SEK 3.75 each. The proposed dividend amounts to a total of SEK 1,568,989,530. This amount is based on the total number of shares outstanding in the Company less the Company's holding of treasury shares on the date of publication of the Annual Report. This holding will change before the second record date, in part owing to grants under the 2018 long-term incentive programme and in part as a result of the proposal for a 2021 long-term incentive programme, if adopted by the Annual General Meeting. Retained profits will be distributed as follows:

SEK	
Dividend	1,568,989,530
To be carried forward	795,414,656
	2,364,404,186

In reference to the above and to other information that has been brought to the Board's attention, the Board is of the opinion that a comprehensive assessment of the Company's and Group's financial position entails that the dividend is justified in view of the demands that the nature, scope and risks in the business place upon the size of the Company's and Group's equity and upon the Company's and Group's funding needs, liquidity and financial position in general.



## Board Signatures

The consolidated financial statements and Annual Report have been prepared in accordance with the International Financial Reporting Standards referred to in European Parliament and Council of Europe Regulation (EC) No. 1606/2002 of 19 July 2002, on application of International Financial Reporting Standards and generally accepted accounting principles, and gives a fair overview of the Group's and Parent Company's financial position and results of operations.

The Administration Report for the Group and Parent Company gives a fair overview of the Group's and Parent Company's operations, financial

position and results of operations, and describes significant risks and uncertainties that the Parent Company and companies included in the Group face.

The Annual Report and consolidated financial statements were, as stated above, approved for publication by the Board of Directors on 18 February 2021. The Group's statement of comprehensive income and statement of financial position, and the Parent Company's income statement and balance sheet, will be subject to approval by the Annual General Meeting on 24 March 2021.

Stockholm, Sweden, 18 February 2021

Mia Brunell Livfors  
*Chairman of the Board*  
Director

Lars Olofsson  
*Vice Chairman of the Board*  
Director

Stina Andersson  
Director

Fabian Bengtsson  
Director

Caroline Berg  
Director

Jesper Lien  
Director

Christian Luiga  
Director

Christer Åberg  
Director

Anders Helsing<sup>1)</sup>

Michael Sjörén<sup>1)</sup>

Lars Östberg<sup>1)</sup>

Klas Balkow  
*President and CEO*

Our audit report was submitted on 18 February 2021  
Deloitte AB

Hans Warén  
*Authorized Public Accountant*

<sup>1)</sup> Employee representative.



# Auditor's report

To the general meeting of the shareholders of Axfood AB (publ) corporate identity number 556542-0824

## Report on the annual accounts and consolidated accounts

### *Opinions*

We have audited the annual accounts and consolidated accounts of Axfood AB (publ) for the financial year 2020-01-01 – 2020-12-31. The annual accounts and consolidated accounts of the company are included on pages 38–78 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### *Key Audit Matters*

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

## Dependency on IT-systems

### *Description of risk*

Axfood sells groceries through the store chains Willys, Hemköp, Eurocash, Mat.se and a large number of collaborating stores. Wholesale trading is conducted through Snabbgross and Dagab holds the responsibility for assortment, purchasing and logistics. Well established procedures regarding secure IT-operations and well-functioning IT-processes are of the outmost importance for Axfood's business as the large volume of transactions means that completeness of transactions is critical in order to avoid material misstatements in the financial reporting. Complete transfer between the cash handling system and the account-

ing system as well as between the inventory system and the purchasing system is of particular significance for revenue recognition, cost of goods sold and valuation of inventory.

For further information, please refer to note 1 regarding the group's accounting policies and note 3 regarding operating segments.

### *Our audit procedures*

Our audit included but was not limited to the following audit procedures:

- Evaluating general IT controls in the cash handling system and accounting system as well as the inventory and purchasing system with the involvement of IT specialists, and
- Auditing transfer of data between critical IT-systems with the involvement of IT specialists. In the audit we have used analytic tools to enable the audit of large sample selections.

## Valuation of goodwill

### *Description of risk*

Axfood reports goodwill in the consolidated accounts of SEK 2,769 m as of 31 December 2020. Goodwill has resulted from business combinations. The value of the reported goodwill depends on estimated cost of capital(WACC), sales growth and profitability in the cash-generating units that the goodwill relates to and is tested annually for impairment.

Valuation of goodwill is considered a key audit matter due to the risk of inaccurate judgements and estimates in the impairment testing, such as estimated future growth, profitability and discount rates, which could have a material impact on the group's result and financial position. Management has not identified any need for impairment for 2020.

For further information, please refer to note 1 regarding the group's accounting policies, note 4 regarding acquired operations, note 17 regarding intangible assets and note 31 regarding critical judgements and estimates.

### *Our audit procedures*

Our audit included but was not limited to the following audit procedures:

- Auditing Axfood's routines for impairment testing and evaluation of fairness and consistency of applied estimates and routines, and the integrity of calculations,
- Verification of input data from budgets and business plans in the forecast period,
- Testing of sensitivity analysis, and
- Audit of completeness and accuracy in relevant disclosures in the financial reports.

## Other information than the annual accounts and consolidated accounts

The other information include the Remuneration report and pages 1–37 and 134–139 in this document also including other information than the annual accounts and consolidated accounts. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Auditor's report

**Responsibilities of the Board of Directors and the Managing Director**  
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on the website of the Swedish Inspectorate of Auditors: [www.revisorsinspektionen.se/revisoransvar](http://www.revisorsinspektionen.se/revisoransvar). This description is part of the audit report.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

**Report on other legal and regulatory requirements****Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Axfood AB (publ) for the financial year 2020-01-01 – 2020-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

**Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are inde-

pendent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on the website of the Swedish Inspectorate of Auditors: [www.revisorsinspektionen.se/revisoransvar](http://www.revisorsinspektionen.se/revisoransvar). This description is part of the audit report.

Deloitte AB, was appointed auditor of Axfood AB (publ) by the general meeting of the shareholders on the 2020-03-18 and has been the company's auditor since 2016-03-16.

Stockholm 18 February 2021

Deloitte AB

Hans Warén

Authorized Public Accountant



# Sustainability

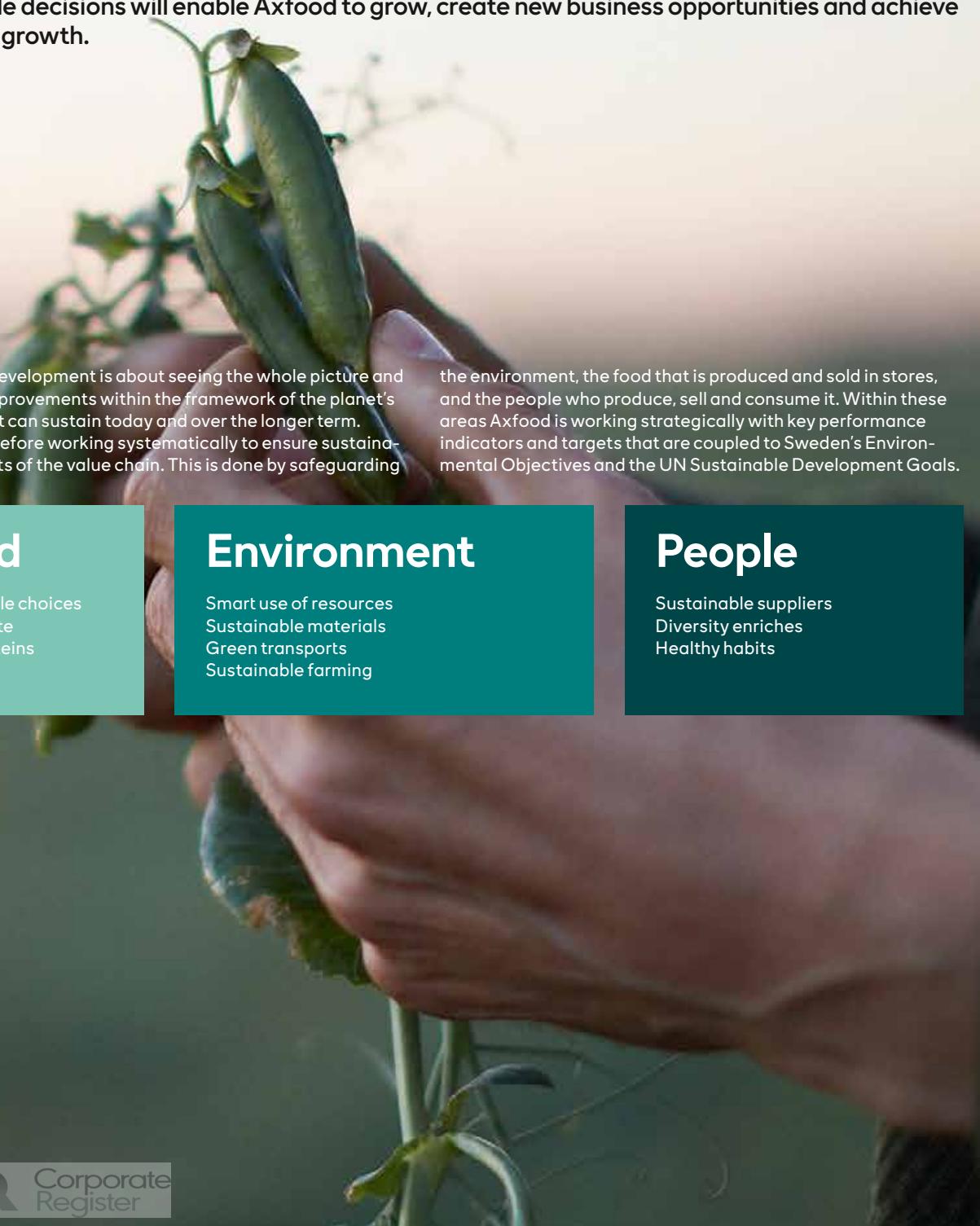
## Contents

Sustainability in everything	82
About Axfood's sustainability work	88
Food	91
Environment	94
People	99
Reporting principles and sustainability definitions	108
GRI Index	110
Sustainability report index – Annual Accounts Act	112
Auditor's statement	112
Sustainability programme	113



# Sustainability in everything

Axfood's vision is to be the leader in good and sustainable food. Sustainability work is therefore extensive and permeates the entire Group. Sustainability is an integral part of the business and the work is described within the three areas of food, the environment and people. Long-term sustainable decisions will enable Axfood to grow, create new business opportunities and achieve profitable growth.



Sustainable development is about seeing the whole picture and striving for improvements within the framework of the planet's limits – what it can sustain today and over the longer term. Axfood is therefore working systematically to ensure sustainability in all parts of the value chain. This is done by safeguarding

the environment, the food that is produced and sold in stores, and the people who produce, sell and consume it. Within these areas Axfood is working strategically with key performance indicators and targets that are coupled to Sweden's Environmental Objectives and the UN Sustainable Development Goals.

## Food

Sustainable choices  
Food waste  
Good proteins

## Environment

Smart use of resources  
Sustainable materials  
Green transports  
Sustainable farming

## People

Sustainable suppliers  
Diversity enriches  
Healthy habits

# Food – introduction



**Food is at the heart of Axfood's business. Since food has a large impact on the environment as well as people, it is important that production methods and consumption habits are continuously improved. By offering a wide assortment of goods produced with consideration for both ecological and social aspects, Axfood is driving development in a sustainable direction.**

#### Sustainable choices

Sustainability labelling guides consumers to make choices that help reduce the carbon footprint of food and improve social conditions in production. Organic products contribute to reduced use of chemicals and synthetic fertilizers while prioritizing the well-being of animals. Social labelling contributes to better conditions for people who grow and produce food.

#### Food waste

The fact that a large share of the food that is grown, processed, transported and packaged is tossed out instead of eaten is an enormous waste of resources. With the help of new technologies, clearance sales of products approaching their expiration dates, automating orders of products in stores, and collaboration with suppliers and charity organizations, Axfood is working to reduce unnecessary food waste.

#### Good proteins

Proteins are a vital nutritional component, but with a large impact on the climate and the environment. Axfood therefore wants to be at the forefront by offering a wide and affordable selection of good and sustainable plant-based alternatives. The assortment of fish and shellfish must come from sustainable stocks and be traceable. The meat in Axfood's stores must come from animals that have been treated well. Good animal care results in healthy animals, which leads to low use of antibiotics and safe foods.

For more information and results within the area *Food*, see pages 91–93.

#### Key ratios

	2020	2019	Change
Sustainability-labelled products as % of total sales	28.3	26.9	1.4
Sales of organic products as % of total food sales	6.1	6.2	-0.1
Growth in plant-based protein substitutes, %	15.1	13.4	1.7
KRAV-certified meat as % of total meat sales	3.1	3.4	-0.3
Share of food waste, %	1.26	1.47	-0.21



# Environment – introduction



**Production of food is contributing to water stress, land exploitation and is a threat to biodiversity. Axfood therefore aspires to contribute to a food shift in which production methods and consumption patterns have the smallest ecological footprint as possible – and which is within the limits of what the planet can sustain.**

## Smart use of resources

Axfood is contributing to a reduced carbon footprint and creating more circular flows by using and producing green electricity, energy recycling, selling surplus energy and recycling waste. The electricity that is bought centrally is exclusively green and comes from solar, wind and hydro power. Own electricity is generated from solar panels on the rooftops of several stores and warehouses. All refrigerants for refrigeration systems and freezers with a large climate impact are being replaced. By capturing surplus heat, Axfood is striving to be self-sufficient in heat in more warehouses and stores. Waste from warehouses and stores, such as plastic, paper and organic material, is collected and recycled.

## Sustainable materials

It is important to view products in their totality – both their content and packaging. Axfood puts great emphasis on developing climate-smart packaging for its private label products. Packaging material is chosen based on the product's function and properties. Packages are designed, for example, to avoid food waste and to

be easily recyclable while also being cost-effective. Axfood is working to reduce the use of plastics and prioritizes renewable and recycled material without hazardous chemical compounds.

## Green transports

Transports between warehouses and stores account for the greatest share of the carbon footprint from Axfood's own operations. To reduce the carbon footprint, the fleet of delivery vehicles will be fossil-free and powered exclusively by sustainable fossil-free fuels such as rapeseed oil, electricity, gas and ethanol. For procurement of subcontracted transports, sustainable alternatives are to be chosen. Employees' business travel will also be reduced and be fossil-free through more virtual meetings and a higher share of rail travel.

## Sustainable farming

To be able to supply good and sustainable food, the sustainability journey starts already at the farm. This involves safeguarding water, the earth and biodiversity. One prerequisite for being able to preserve a diversity of species is to prevent deforestation of rainforests, such as for cultivation of soybeans and palm oil. Axfood advocates for efficient use of water and reducing water stress associated with fruit and vegetable farming.

To prevent harm to the environment and people's health, the amount of pesticides used in farming needs to be reduced. Moreover, agriculture in general needs to be made fossil-free.

For more information and results within the area *Environment*, see pages 94–98.

## Key data

	2020	2019	Change
Greenhouse gas emissions, CO <sub>2</sub> e tonnes CO <sub>2</sub> e/tonne own distribution	39,754	37,301	6.6%
Purchased electricity kWh/sq.m. (Group)	15.6	17.2	-9.3%
Purchased electricity kWh/net sales, SEK k, %	302.6	313.1	-3.4%
	0.49	0.53	-0.04

	2020	2019	Change
Greenhouse gas emissions, CO <sub>2</sub> e tonnes CO <sub>2</sub> e/tonne own distribution	39,754	37,301	6.6%
Purchased electricity kWh/sq.m. (Group)	15.6	17.2	-9.3%
Purchased electricity kWh/net sales, SEK k, %	302.6	313.1	-3.4%
	0.49	0.53	-0.04



# People – introduction



**Health, equality, diversity and working conditions are factors that affect people's well-being. Axfood strives to promote good work environments and social conditions for its own employees as well as workers in food production. A greater offering of healthy products is an important step towards improving consumer health.**

## Sustainable suppliers

Food must be produced in a socially sustainable way. By putting demands on suppliers with respect to safety, quality, the environment and social responsibility, Axfood ensures that farmers and workers have good working conditions and work environments. Axfood works according to a Code of Conduct that is based on internationally recognized conventions on human rights, working conditions, the environment and anti-corruption.

## Diversity enriches

Axfood is a values-governed company that aspires to reflect society as a whole. This should be noticeable among employees and customers alike. The employees' various talents, competencies and perspectives open the door for new opportunities and lead to better decisions. At Axfood, inclusion and equality make a positive contribution to the business.

## Healthy habits

Ill-health is a large societal problem, where eating habits and lifestyles are common contributors. Axfood strives to contribute to more sustainable lifestyles by offering healthy products and advocating for good working conditions throughout the supply chain. Good working conditions create a work climate with low sickness-related absenteeism and good health among employees. Healthier consumption can be achieved, for example, by reducing the levels of salt, sugar and unnecessary additives and increasing the fibre content in foods.

For more information and results within the area *People*, see pages 99–107.

## Key ratios

	2020	2019	Change
Number of social audits	123	96	27
Gender equality, share of women in management positions, %	33	30	3
Share of managers with international background, %	15	15	0
Work attendance rate, %	93.2	94.4	-1.2



# A sampling of sustainable actions

**76%**

reduction of greenhouse gas emissions from own operations compared with base year 2009 for comparable units and data sources.

**0%**

palm oil derivatives in the biodiesel used in Dagab's trucks.

**3**

new solar panel systems on store rooftops put into operation.

Climate action by the **50** largest private label product suppliers has been mapped to be able to put higher demands on their climate impact.

Sales of plastic grocery bags in stores decreased by

**37%**

The recruitment process has become more inclusive with simplified language and elimination of questions about age and gender.

Agreement reached with Scania on electrification and delivery of first electric truck.



More than  
**2,000**

employees have signed Axfood's new ethical guidelines.

**50/50**

Axfood has a fully even gender balance in its Executive Committee.

Axfood is the largest private customer of Samhall with **1,800** people working in the Group during the year.

Share of food waste in Axfood's stores decreased by

**14%**

Sustainability-labelled products accounted for

**28.3%**

of total sales.

**86**

proposals submitted to politicians and industry representatives in the Mat 2030 report – Axfood's recommendations for a more sustainable food strategy.

Axfood co-founded MatRätt, Gothenburg's first social supermarket.

**2X**

Doubling in wellness subsidy introduced for all employees.



# About Axfood's sustainability work

**Axfood's sustainability work is a central part of the Group's operations and contributes to economic as well as to social and environmental value. The ability to create positive economic results requires that the Company contributes to social and environmental values, since these in turn form the foundation for long-term stable financial performance.**

The strategic direction of the sustainability work is set by Axfood's Board of Directors. Ultimate responsibility for sustainability work rests with the CEO, who in consultation with the Executive Committee, the Risk Committee and the Head of Sustainability drafts strategies, policies and targets for sustainability, yearly and quarterly sustainability reports, and follows up the sustainability work. The Executive Committee is updated about this work and current issues on a quarterly basis via a sustainability forum that is led by the Head of Sustainability. At these forums the Executive Committee also has the opportunity to discuss strategic matters.

Axfood is working on integrating sustainability matters in the operational activities, which creates engagement within the entire organization. Sustainability coordinators in the companies drive and continuously follow up Group-wide sustainability targets. A number of central sustainability functions, internal networks and steering committees ensure that the joint targets are coordinated and that significant issues within the respective operations are assigned the right priority. To increase employees' knowledge, various training initiatives are conducted surrounding Axfood's sustainability work, such as mandatory e-learning courses.

Axfood's external quarterly reporting includes strategic key ratios. Axfood's Annual Report includes a sustainability report that is prepared in accordance with GRI Standards and provides an overall picture of sustainability work at the Group level.

## Sustainability policy, targets and programme

Axfood's sustainability policy describes the focus of and principles for sustainability work and stipulates that it should be possible for the Group's stakeholders to follow this work. The overarching ambition is to be the industry leader in sustainability and to pioneer new technical solutions and ways of working. In addition, Axfood aspires to be a positive force for change in society that takes a position, inspires and offers guidance for good and sustainable food. Sustainability work is to be focused on preventive measures and should adhere to the precautionary principle to the greatest possible extent. Environmental work is focused on achieving a reduced carbon footprint and ensuring efficient use of resources with respect to products, recycling, transports, energy and use of premises. Prior to major structural changes, statutory environmental impact studies are performed. In stores and online, a wide assortment of sustainability-labelled products and clear consumer information shall be provided that makes it easier for customers to make sustainable choices. In the social area, work involves, among other things, promoting good working conditions throughout the entire value chain. In its efforts to ensure good working conditions in the supply chain, Axfood applies the UN's "Protect,

Respect and Remedy" framework along with the UN's Guiding Principles on Business and Human Rights. Axfood is a signatory of the UN Global Compact, a member of Amfori BSCI (Business Social Compliance Initiative) and a partner in the Global Deal, and through these undertakings has committed itself to adhering to the UN's fundamental human rights framework.

Axfood's sustainability work is based on an extensive sustainability programme, which includes a sustainability policy as well as long- and short-term sustainability targets that are revised on a continuous basis. The targets have couplings to Sweden's Environmental Objectives and the UN's Global Sustainable Development Goals. The GRI reporting framework mainly emphasises the targets and key ratios that pertain to the entire Group. During 2020 work was begun on complementing the governing documents that drive the operational sustainability work in order to eventually include them in the sustainability programme.

## Code of Conduct guides work

Axfood's Code of Conduct serves as the foundation for its operations and lays out the requirements and expectations that are put on employees and suppliers. The Code is based on recognized conventions for human rights, working conditions and the environment. It lays out Axfood's positions and requirements regarding legal compliance, conditions in the workplace, use of resources and impacts on local communities, the environment, animal welfare, ethical behaviour and anti-corruption, which contributes to driving sustainability issues forward in line with the Group's strategy and vision of good and sustainable food. The Code of Conduct is integrated with Amfori BSCI's code of conduct and is revised on a continuous basis or when necessary in response to new or amended international frameworks, for example. The most recent revision was made in 2015, however in 2020, a new review and revision of the Code was initiated.

Axfood is to conduct its business in accordance with generally accepted business practices and high ethical standards in all of the Group's relationships with stakeholders. Pertinent employees – mainly buyers of private label products – receive training from sustainability officers in the Code of Conduct. All employees are informed about parts of the Code of Conduct through internal training. Suppliers are required to certify adherence to Axfood's Code of Conduct in connection with purchasing, or alternatively, Axfood accepts the supplier's own code of conduct. The Code of Conduct is available in Swedish and English on the Group's website and can be conveyed to suppliers in another some 20 languages.

## About this report

Axfood's Annual and Sustainability Report summarizes the financial results and sustainability work conducted during



## About Axfood's sustainability work

2020. Externally the Group's sustainability work is presented in accordance with the Global Reporting Initiative (GRI) Guidelines, adheres to the GRI Standards and reports according the Core level. This means that at least one indicator per aspect (topic) is reported on based on the material issues that have been identified by Axfood and its stakeholders.

Axfood reports sustainability data yearly, and the previous report was published on 25 February 2020. Certain types of data are reported continuously in Axfood's interim reports. Queries about the report can be directed to Axfood's Head of Sustainability.

**Stakeholder dialogue and materiality analysis**

The aim of Axfood's stakeholder dialogue is to identify stakeholders' most important sustainability aspects and the expectations they have for Axfood's sustainability work. With a starting point in the sustainability strategy, Axfood – based on knowledge about its own operations and views from a selection of stakeholders

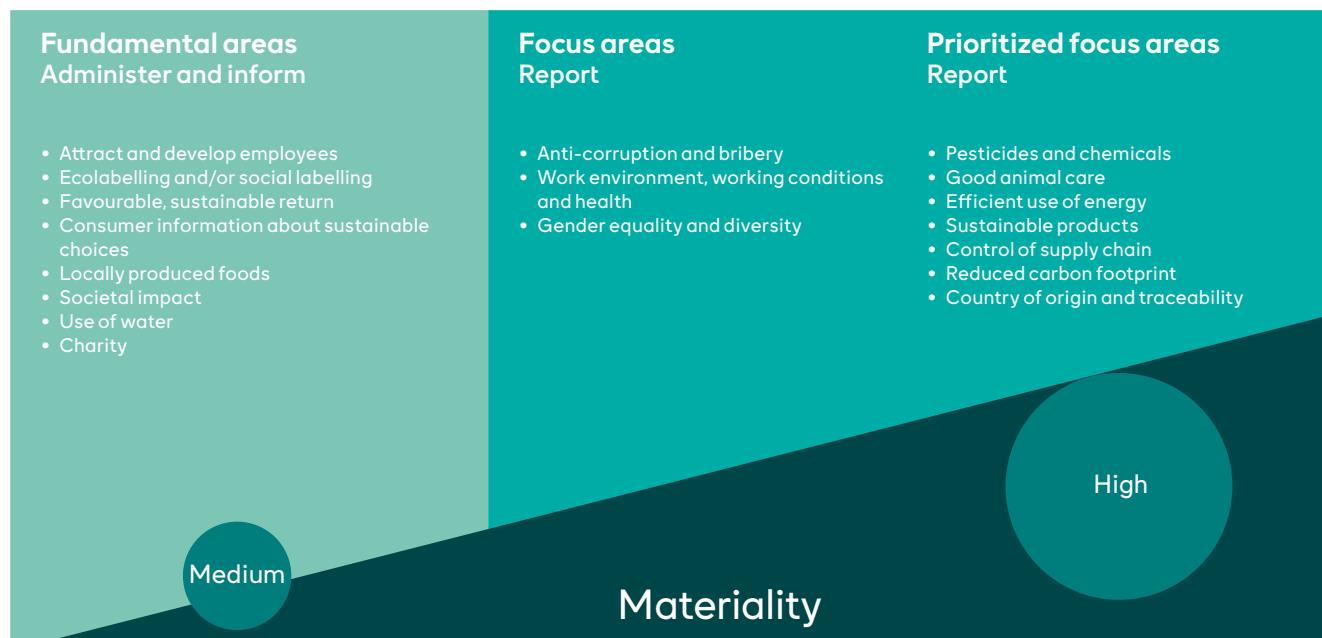
– has identified the sustainability issues that are described and reported on in this report. The issues assessed as being material pertain to the entire Group and are presented in the table below.

At the end of 2019 work was begun on following up the extensive materiality analysis that was performed in 2015. The aim is to ensure the right priorities have been set for Axfood's sustainability work and that what is communicated externally is aligned with stakeholders' expectations. The results from the stakeholder dialogue and materiality analysis have been analysed by internal experts to ensure that all material issues are included. Since the updated analysis is being conducted between two reporting periods, it will serve as the foundation for reporting from the 2021 financial year and forward. In future reports, Axfood will distinguish between the stakeholder analysis that represents the stakeholders' views of which sustainability issues are important and the materiality analysis that the Group performs itself based on the impacts of its operations within a number of global environmental areas.

## Stakeholder dialogue

Stakeholders	Channels for dialogue	Key issues
Customers	The meeting with customers in stores, consumer contact, focus groups, customer surveys, customer magazines and newsletters, websites and social media.	Country of origin and traceability, pesticides and chemicals, animal care, anti-corruption and bribery, work environment and health, and certification of certain food ingredients.
Employees	Internal channels, such as Axfood's intranet, employee meet-and-greets and conferences and employee surveys.	Work environment and health, organic food, attracting and developing employees, pesticides and chemicals, and anti-corruption and bribery.
Suppliers	One-on-one supplier meetings, supplier meet-and-greets, collaboration projects and in connection with social audits or training of suppliers' employees in risk countries.	Anti-corruption and bribery, pesticides and chemicals, healthy food, work environment and health, and country of origin and traceability.
Investors	Annual General Meeting, presentations in connection with interim/year-end reports or other contexts, such as seminars or conferences, and one-on-one investor meetings.	Anti-corruption and bribery, attracting and developing employees, pesticides and chemicals, organic and healthy food, use of energy, favourable and sustainable returns, and food waste.
Society	One-on-one meetings with decision-makers, presentations in connection with seminars or conferences and membership in trade organizations and other types of networks.	Pesticides and chemicals, anti-corruption and bribery, animal welfare, country of origin and traceability, work environment and health, healthy food, certification of certain ingredients, and climate labelling.

## Materiality analysis







# Food

**Axfood's sustainability work surrounding food is reported under the focus areas sustainable choices, food waste and good proteins.**

## Sustainable choices

Sustainability labelling helps consumers make sustainable choices. By offering a varied assortment that includes information on the source and content of products, consumers can find products that are made in a way that takes both environmental and social aspects into account.

## Quality strategy

Axfood's work with quality aims to ensure that the assortment is in compliance with the EU's statutory requirements, Axfood's policies and guidelines, the store chains' assortment strategies, and labelling and certification of products. On top of statutory requirements, Axfood also works with product and sustainability labelling of its private label products to offer the best alternatives in various categories and price groups.

Axfood's goal to sell more sustainability-labelled products aims to help consumers make conscious and safe choices, and to drive the Group's work on developing and being better at selling a sustainable assortment. Organic foods contribute to reduced use of chemicals and synthetic fertilizers while at the same time prioritizing the well-being of animals. Fairtrade certified products are sold as part of the Group's work on contributing to better social conditions and terms for the people who work in production. This is summarized in the quality strategy, which serves as one of the most important internal governance documents for procurement and assessment of products and

suppliers. The quality strategy is updated continuously by the people responsible for quality assurance at Dagab, and updates are approved by Axfood's Executive Committee. Individual proposals for departures from the strategy must be approved in accordance with an established routine. The work with the assortment offered in Axfood's stores reflects the requirements set forth in the quality strategy. Responsibility then rests with the respective buyers, who are also responsible for entering updates in the system if a certain item has lost its certification or if a certification has been added.

Sales of sustainability-labelled products are reported externally on a quarterly and yearly basis. Consolidation and follow-up of results are conducted centrally, but outcomes are verified with the respective chains to ensure completeness and detect any incorrect labelling. Follow-up is done per chain and per assortment category to take into account the Group companies' different preconditions. By measuring sales of sustainability-labelled products in relation to the Group's total sales, the effect of the assortment gradually contributing to more sustainable consumption can be seen.

The trend for sustainability-labelled products remained positive in 2020 with an increase in their share of sales by 1.4 percentage points compared with a year ago. In total, sustainability-labelled products accounted for 28.3% (26.9%) of the Group's total sales during the year. Since all fruits and vegetables bear the Green Keyhole marking, "green keyhole" and "organic" are by far the largest markings in the entire assortment. Willys continued to have the largest share of sustainability-labelled products, while Hemköp accounted for the largest increase. Within the assortment, general grocery items and frozen products had the strongest sales development.



**Food waste**

Food waste occurs in all parts of the food chain and accounts for a large share of the Group's total environmental impact. In 2018 Axfood adopted a target to cut food waste in its own operations in half by 2025. Externally, data on food waste is communicated on a yearly basis by reporting the share of food waste in relation to the Group's total sales. Measures to reduce food waste vary from company to company within the Group. The Group's assortment and purchasing department works continuously with new technologies and training to optimize ordering routines. In stores, prices are reduced for products nearing their best-before dates or that for other reasons are believed to be hard to sell at regular prices. Axfood is working together with various actors in the grocery industry to reduce food waste. Moreover, more than 100 of the Group's stores collaborate with various social organizations to donate food that they have not been able to sell. The store chains in the Axfood family report the volume and reason for food waste in an internal system. Consolidation and follow-up at the Group level are conducted centrally. Various codes are used to provide information on why the food waste occurred. This enables Axfood to take specific actions to actively prevent waste.

During 2020 food waste within the Axfood Group continued to decrease, and amounted to 1.26% (1.47%) of sales. Hand-held computers that identify products that are expiring, donations to charitable organizations, clearance prices for products nearing their best-before dates and bargain bags and boxes in stores with fruits and vegetables contributed to the positive trend. One challenge, however, is the rise in credits offered for fruits and vegetables, which will require further focus going forward. If

the current rate of reduction is sustained, the target to cut food waste in half by 2025 can be reached.

**Good proteins**

To reduce the carbon footprint and environmental impact, the Group strives to offer consumers sustainably produced proteins. Axfood is working together with suppliers to develop far-reaching animal protection measures and contribute to healthy animals. Consumers are to be offered fish and shellfish from sustainable stocks and sustainable plant-based proteins. Basic requirements are set early – already in connection with the procurement process and through clear labelling of the country of origin and products' traceability. By offering plant-based products that are good both for health and the climate, Axfood can contribute to more sustainable protein consumption.

**Meat and poultry**

Axfood's quality strategy lays out clear guidelines for suppliers of our private label products regarding good animal care and the use of antibiotics in meat production. The requirements are rooted in Swedish animal welfare laws. In addition, animal care is quality assured and audited through various product markings and is based on third-party certification of primary producers of all types of animals. Axfood has a great opportunity to influence the suppliers of its private label products. Follow-up of compliance with the quality strategy is conducted through inspections to see how animals are raised and how they are handled during transports and slaughter. Audits are conducted either by the Group's own quality specialists or by third parties.





Within the Swedish Food Retailers Federation Axfood is cooperating with other food retailers to reduce the use of antibiotics in animal husbandry. The aim is to contribute to better animal care and lower risk for antibiotic resistance.

Sales of KRAV-certified meat as a share of total meat sales decreased slightly during the year to 3.1% (3.4%), which is likely due to a growing number of conscious consumers choosing to eat less animal-based products. Hemköp continued to have a comparatively high share of sales for KRAV-certified meat.

#### Seafood

Axfood shall advocate for sustainable fishing that helps counter emissions, destruction of ecosystems and acidification of fishing waters. Axfood works together with its suppliers to ensure sustainable fish stocks.

According to Axfood's seafood policy, fish and shellfish from threatened stocks are not to be sold in any of the Group's stores. The fish that is sold must be traceable to its stock, fishing zone/farm and fishing method. The policy entails that Axfood's assortment may not include fish that is red-listed according to WWF's fish guide or in some other way is not classified as being sufficiently sustainable based on the definition of sustainable stocks and approved fishing methods. The goal of Axfood's sustainability programme is that all fish and shellfish sold in the Group's stores shall be classified as green by 2022 the latest. The goal is challenging for a number of reasons. It requires that a steadily greater share of the assortment is shifted over to ASC-, MSC- or KRAV-certified fish while also continuing to be able to offer customers a wide selection of affordable seafood. Of the existing offering in 2020, 81.1% (73.5%) was certified fish.

Except for farmed Norwegian salmon, currently all frozen fish sold in the Group's stores is certified. Higher demand combined with a greater selection of certified seafood is contributing overall to a high share of sales of certified fish. During 2020, 62.5% (59.6%) of the fish sold in Axfood's stores was certified. Conscious assortment and sales management of MSC-labelled canned tuna was one of several measures that contributed to the positive sales trend.

#### Green proteins

Axfood shall reduce the assortment's carbon footprint by, for example, offering products that encourage and contribute to more sustainable protein consumption. Part of this endeavour entails offering a wide selection of sustainable, plant-based proteins. To achieve a food shift to more plant-based proteins, new products are being developed that taste good, are affordable and are sustainably produced.

The trend in recent years points to the fact that consumers are increasingly choosing to eat more plant-based proteins. This is confirmed both by Axfood's yearly "Vego-barometer" consumer survey and continued high sales growth of 15.1% (13.4%) for refrigerated and frozen vegetarian products. Among the Group's companies, Willys accounts for the largest sales increase. In 2020 the private label product assortment was expanded with a number of new items such as organic tofu from Eldorado and frozen, formable soy mince from Garant. New vegetarian meal solutions based on Swedish-grown protein crops were also launched, in cooperation with Axfoodfoundation and Svensk Baljväxtfär. Special promotional campaigns for vegetarian products have been carried out both in stores and online.





# Environment

Axfood's sustainability work concerning the environment is reported under the focus areas smart use of resources, sustainable materials, green transports and sustainable farming.

## Greenhouse gas emissions

The risk scenario in the environmental area is multifaceted. A climate characterized by more extreme weather presents greater challenges for primary production as well as for the food industry and the retail trade. Shortages of certain primary ingredients can make purchasing work more difficult and result in a need to raise prices. Climate policy measures also put demands on companies to adapt their operations to help slow the rise in global temperature. For Axfood this entails addressing these risks by making changes in its own operations, such as by changing over to fossil-free transports, using refrigerants without a climate impact, making strategic choices in new establishments and diversifying risks in purchasing work with respect to suppliers as well as geographic areas. Efficient use of resources is also necessary, such as with respect to energy use and changing over to recyclable materials.

## Reduced carbon footprint

Axfood's target has been to reduce the carbon footprint from its own operations by 75% by 2020. At year-end, greenhouse gas emissions had decreased by 76% compared with the base year 2009 for the comparable units and data sources that existed during the base year. The reduction is mainly attributable to the changeover to green electricity.

Axfood is working continuously to improve the quality of the sustainability data that is available by making it more complete and by including more sources and units. During 2020, data on waste, procured transports between warehouses and stores, and additional warehouse units has been included, which affects comparability between years. This means that Axfood's reported carbon footprint in the 2020 sustainability report is more comprehensive than previously and that previously reported emissions for 2019 have been revised. The Group's carbon footprint is reported yearly in accordance with the Greenhouse Gas (GHG) Protocol guidelines.

The greatest source of emissions from Axfood's operations comes mainly from leaks of refrigerants from refrigerators and freezers in stores and from transports between warehouses and stores. Reporting is therefore mainly focused on Scope 1 and 2 emissions (direct and indirect sources of GHG emissions), where Axfood's opportunity to make an impact is greatest. Scope 1 emissions pertain to the Group's direct carbon footprint. Scope 2 emissions pertain to emissions from purchased energy, where Axfood buys green electricity from solar, wind and hydro power. To achieve further energy efficiency improvements in Scope 2 emissions, numerous initiatives are being pursued to keep energy consumption down. Scope 3 emissions pertain to the Group's indirect emissions and include emissions from activities outside of its own operations. For the 2020 reporting period they include emissions from business travel, procured transports between warehouses and stores, and waste. Axfood is working on formulating a method for identifying Scope 3 emissions and in such way be able to include additional emis-

sions from farming and production, consumption of foods, and transports between producers and warehouses.

GRI 305-1, 305-2, 305-3 Direct, indirect and other indirect GHG emissions (Scope 1, 2, 3)

Tonnes CO <sub>2</sub> e	2009 (base year)	2020	2019
<b>Total emissions</b>	<b>89,011</b>	<b>39,754</b>	<b>37,301</b>
<b>Direct GHG emissions (Scope 1)</b>	<b>26,594</b>	<b>15,568</b>	<b>16,721</b>
Own transports	10,531	11,992	11,116
Refrigerants	15,212	3,331	5,263
Refrigeration units, Group-owned trucks	–	977	1,312
Wholesale (warehouses)	–	62	8
Retail	–	2,292	3,943
Company cars	851	246	342
<b>Indirect GHG emissions</b>			
– market-based (Scope 2)	<b>61,647</b>	<b>2,483</b>	<b>1,817</b>
Purchased electricity	–	2,335	1,602
Purchased heat	–	147	215
<b>Indirect GHG emissions</b>			
– location-based (Scope 2)	–	<b>16,087</b>	<b>17,021</b>
Purchased electricity	–	15,940	16,806
Purchased heat	–	147	215
<b>Other indirect GHG emissions (Scope 3)</b>	<b>770</b>	<b>21,702</b>	<b>18,763</b>
Waste	–	473	452
Of which, waste to recycling	–	338	317
Of which, for incineration	–	105	107
Of which, hazardous waste	–	24	18
Business travel	770	236	730
Procured transports	–	18,299	15,194
Emissions associated with fuel production, purchased electricity	–	2,671	2,357
Emissions associated with fuel production, purchased heat	–	24	30

Axfood's total carbon footprint in 2020 corresponds to 39,754 tonnes (37,301) of CO<sub>2</sub> equivalents. Scope 1 emissions continued to decrease, mainly owing to the continued work on replacing refrigeration and freezing units that have unavoidable leakage at the same time that business travel was cut in half owing to less travel during the coronavirus pandemic. Despite a higher share of biofuels, transport emissions increased since sales developed strongly during the year and the need for transports increased. Scope 2 emissions increased and are associated with purchased electricity from the smaller warehouses that are not covered by Axfood's central contract for fossil-free electricity. Emissions from purchased heat decreased mainly as a result of lower consumption, but also owing to higher purchases of green district heating by the warehouse in Backa. The effects of not purchasing green electricity are shown clearly in a comparison of market-based and location-based emissions. Scope 3 emissions rose above all for procured transports, owing to more kilometres driven using fossil fuels.

## Smart use of resources

To contribute to a reduced carbon footprint, Axfood's operations shall use exclusively green electricity. To further work for efficient

## Environment

use of resources, own electricity shall be produced by solar panels on rooftops of stores and warehouses, and surplus heat shall be captured to an even higher extent. Refrigerants that are used shall meet the requirements stipulated in the European F-gas Regulation (EU/517/2014) and in connection with refurbishments and new establishments, refrigeration systems are replaced to instead use natural refrigerants ( $\text{CO}_2$  or propane). Follow-up of energy use provides good documentation to further optimize as well as prevent and handle deviations. Since Axfood's operations require substantial electricity for refrigeration, lighting and ventilation, the choice of purchased electricity as well as efficient use of energy is important. Fuels, district cooling and district heating are also used to some extent in warehouse operations. Many stores have heat recovery systems, which results in a reduced need to purchase energy for heating. The Group also has stores that sell surplus heat to the district heating network. The warehouse in Jordbro also does this.

Axfood has central power purchase agreements that cover most of its units. Facility management staff at the Group's warehouses have operational responsibility for following up and optimizing the Group's warehouse operations. The persons responsible for store establishment in the respective chains are involved in management and operations and are ultimately responsible for controlling and following up the use of energy and refrigerants in stores. Energy consumption is monitored, followed up and measured using a joint control system that is coupled to the Group's stores and warehouses. The system sounds an alarm if temperature zones deviate from the desired threshold levels. In addition, fuel consumption from the Group's own trucks accounts for a large share of energy use and is



followed up quarterly by the logistics department. Consolidation of the Group's total fuel consumption is done centrally.

To best follow up results from various energy efficiency initiatives, both total energy consumption and energy intensity are measured by comparing energy consumption in relation to the square metres of space and sales. This facilitates follow-up and identifies if a store or warehouse needs to be reviewed with respect to energy use for operations or investment planning.

Energy intensity is communicated externally both quarterly and yearly, while total energy consumption is reported once a year. Outcomes and results of specific energy efficiency measures are followed up by an internal working group. Results are followed up quarterly by the Executive Committee. Since Axfood has the greatest opportunity to optimize energy consumption in Group-owned stores, the strongest focus is on them. At year-end 2020, there were 310 (304) Group-owned stores, and more than 600 retailer-owned stores are tied to Axfood through agreements. The number of warehouses amounted to 10 (10) and the number of delivery vehicles was 260 (282).

**GRI 302-1 Energy consumption within the organization**

MWh	2020	2019
<b>Total energy consumption within the organization</b>	<b>341,955</b>	<b>339,804</b>
<b>Fuel consumption</b>	<b>58,041</b>	<b>49,611</b>
Renewable fuel	28,016	20,381
Non-renewable fuel	30,025	29,230
<b>Purchased electricity</b>	<b>275,095</b>	<b>281,068</b>
Retail, including head offices	233,642	238,644
Wholesale	41,453	42,424
<b>Purchased heat</b>	<b>3,973</b>	<b>4,877</b>
Retail*	419	496
Wholesale	3,553	4,381
<b>Self-generated energy</b>	<b>10,362</b>	<b>8,876</b>
Heat from refrigeration systems	9,477	8,781
Electricity from solar panels	885	95
<b>Sold energy</b>	<b>5,516</b>	<b>4,629</b>
Heat	5,516	4,629

\*Pertains only to purchased supplemental heat from Snabbgross.

Total energy consumption within the Group amounted to 341,955 MWh (339,804) in 2020, which is mainly an effect of a higher transport need associated with higher growth. The share of renewable fuel increased to a higher extent than non-renewable fuel, which is a result of the Group's diversification strategy to reduce the use of fossil fuels. The amount of self-generated electricity increased during the period, as three new solar panel systems on store rooftops were put in operation. In total, seven such systems were in operation for most of the year. The amount of purchased heat decreased, as more self-produced heat from refrigeration systems was used. As in the preceding year, most of the self-produced heat could be sold onward.

**GRI 302-3 Energy intensity**

	2020	2019
Purchased electricity kWh/net sales SEK k, %	0.49	0.53
Purchased electricity kWh/sq.m. (Group)	302.6	313.1
Purchased electricity kWh/sq.m. from stores	318.0	331.2
Purchased electricity kWh/sq.m. wholesale	224.0	223.4



Energy intensity measured in relation to consolidated sales decreased by 0.04 percentage points in 2020 compared with a year earlier. Energy intensity in terms of square metres also decreased. It is mainly the Group's stores that drove energy efficiency improvements through investments in more modern stores, installation of new lids and doors on freezers, and changeovers to LED lighting. The slightly higher electricity consumption in Axfood's wholesale operations is mainly attributable to a halt to energy efficiency investments in warehouses that will be closed in connection with the opening of the new logistics centre in Bålsta outside Stockholm in 2023.

#### Sustainable materials

An important part of sustainability work involves being better at using the resources that are already in circulation. Axfood is working on increasing efficiency in its use of resources, recyclability, and changing over to renewable materials. Strong emphasis is on developing climate-smart packaging for the Group's private label products in order to minimize environmental impact and avoid food waste.

#### Packaging

Axfood is working with various initiatives aimed at environmentally adapting its private label products. Packaging material is chosen based on the products' needs and properties. Packaging should preserve and protect the food, be cost-effective and safe for the food it packages, and work practically in logistics, stores and once in the consumers' possession. The amount of material is minimized as far as possible without degrading the quality of the contents or the material's recyclability.

Plastic is a common material used in food retail since it has good properties and can extend the shelf life of products, which helps reduce food waste. Together with industry colleagues in the Swedish Food Retailers Federation, Axfood has set targets for more sustainable plastic packaging and has committed itself to increasing its purchases of recycled material, increasing the share of products designed for material recycling, and shaping public opinion and conducting advocacy work to drive a transition to circular material flows through regulations and incentives. In 2019 Axfood adopted a plastics strategy with the long-term objective to create the cleanest plastic flows possible by using

## Environment

the right plastic in the right place and enabling material recycling. The strategy covers five main areas: reducing the use of plastics, material recyclability, use of recovered or renewable ingredients, increased use of FSC-certified paper (Forest Stewardship Council), and elimination of hazardous compounds (SIN – Substitute It Now). In association with the plastics strategy, an action plan has been formulated that delineates how Axfood defines and sets boundaries for sustainability targets for the Group's internal plastic flows and packaging for its private label products. During 2020 Axfood worked on drawing up an action plan that clearly defines the targets, key ratios, scope and boundaries of its plastics strategy. The action plan identifies where impacts arise and if the Group's work covers the product's primary, secondary or tertiary packaging. During the year a quality assurance system was also devised in which packaging data for all private label products is compiled. This compilation will serve as the basis for a zero measurement surrounding the amount of material used. It will be used to document which material is to be used and what changes should be done to achieve the targets. Data collection is planned to be completed in 2021. Thereafter, the outcome will be followed up and reported in relation to set targets.

*Reduced use of chemicals*

Axfood is driving the issue of the duty to inform in its work with societal influence and has also raised the issue of chemicals in packaging within the industry.

The work on eliminating the use of SIN-listed compounds in packaging is very challenging. Many suppliers have insufficient knowledge about added chemicals in packaging as well as which process chemicals have been used. For this reason, legislative support through a duty to inform about which chemicals are included in a product would facilitate the work on setting requirements above and beyond the legal requirement. The so-called January agreement that was reached between the Swedish government and the coalition parties includes text about a so-called product passport, which could serve as an opening for introduction of a duty to inform.

*Waste*

The operations staff in Dagab are responsible for contacts with the Group's waste handling contractors. Changing over to renewable materials and fuels is not sufficient to create circular flows. By sorting waste in offices, warehouses and stores, Axfood is working to reduce the share of waste sent off for incineration and increasing the share that is sent to recycling. The work with recycling and waste handling is based on Swedish law and covers all stores and warehouses. The strict requirements for sorting into many fractions pertain mainly to the stores in which Axfood is responsible under property leases. The work is complex and requires great insight into the leases for individual stores. The stores thus have varying conditions under which to be able to sort waste. Other factors also have an influence, such as that the stores are located at varying distances from biogas stations and have different possibilities to dispose of packaging material.

Since 2011 Axfood has had its own system support for waste handling, but complementary reports are also provided by all waste handling contractors. The Group's own system includes more than 300 local agreements for Willys, Hemköp's Group-owned stores, Snabbgross, Eurocash and Dagab. Through training in sorting and regular follow-up of the share of waste sent off for incineration, awareness and engagement are created about the issue. Externally the Group reports on the number of tonnes of waste and the share that is sent to recycling according to the disposal method.

**GRI306-2 Total weight of waste, by type and disposal method**

Tonnes	2020	2019
Glass, coloured	96	39
Glass, clear	75	131
Hard plastic	227	210
Office paper/newspapers	670	547
Shrink and stretch wrap	1,447	1,367
Metal	161	211
Organic waste*	8,923	8,740
Wood	295	348
Corrugated board	28,696	26,435
<b>Waste for recycling</b>	<b>40,588</b>	<b>38,027</b>
Incinerated waste	12,566	12,826
Landfill	12	20
Hazardous waste	63	48
Other waste	6	3
<b>Total</b>	<b>53,235</b>	<b>50,293</b>
Recycling rate, %	76.2	74.7

\* A share of the organic waste is incinerated in the cases where conditions for biogas does not exist.

The total amount of waste increased in 2020 owing to higher growth within the Group. Better sorting of waste at stores and in warehouses has led to a lower share of waste for incineration and an improved recycling rate of 76.2% (74.7%). Corrugated board, shrink and stretch wrap, organic waste and waste for incineration were the fractions that generated the largest volumes.

The amount of organic waste was slightly higher than in the preceding year even though the stores are becoming increasingly effective at avoiding food waste, such as by reducing prices for products nearing their best-before dates. One explanation for the increase is that Axfood, together with the Group's waste handling contractors, has actively worked to improve the opportunity to follow up the weight of organic waste. This has led to more thorough statistics and greater transparency in reported data compared with previous years. The aim going forward is to be able to adapt containers and collections to the current need and in such way avoid unnecessary transports and to increase the share of organic material that is converted to biogas.

*Green transports*

Axfood is working to minimize emissions and environmental impact from its logistics operations. The largest source of emissions in operations are transports of products between warehouses and stores. Choosing the right sustainable fuels is a challenge, with constantly changing conditions that must be taken into account. Axfood has therefore opted to diversify its fleet by using various types of fuel, including electricity. With a diversified fleet Axfood can also contribute to the development of new types of vehicles, production of sustainable fuels and infrastructure. At year-end 2020 Axfood owned 150 (157) heavy-duty trucks and 110 (125) light-duty trucks. 95 (91) of the heavy-duty trucks can be driven on alternatives to fossil fuels. Since more than half of goods are distributed between warehouses and stores using Axfood's own trucks, the negative effects of transports are most effectively minimized by optimizing the Group's own fleet. Close collaboration with truck manufacturers and fuel retailers is creating favourable conditions to improve efficiency also of subcontracted transports. Through knowledge-sharing and by setting demands in procurement processes, Axfood is indirectly contributing to reducing impacts also from procured transports.

Dagab is responsible both for the Group's own and procured transports between warehouses and stores. Reporting is done in accordance with the so-called reduction obligation, the Sustainability Act and the Fuel Act. For Group-owned trucks,



data is received monthly directly from the fuel suppliers. Data for procured transports is provided quarterly by the Swedish Association of Road Transport Companies. In addition to switching out trucks in the Group's own fleet to more sustainable vehicles, fuel consumption is monitored to optimize loads and trips when distributing goods from warehouses to stores. With the help of a transport optimization system, the logistics department can efficiently plan loads and optimize routes. All trucks are equipped with a monitoring system that allows Axfood to actively work with eco-driving to reduce the carbon footprint through changed driving behaviours. Results from the various initiatives are followed up by measuring CO<sub>2</sub> emissions in relation to the tonnes of goods delivered from warehouses to stores. This provides an indication of how planning and optimization of trips can impact emissions. The Group externally communicates the kilograms of CO<sub>2</sub> equivalents in relation to the tonnes of goods delivered for Group-owned trucks on a quarterly and yearly basis. For procured transports, the outcome is communicated externally on a full-year basis.

Where possible, Axfood opts to transport goods by rail in order to reduce the carbon footprint. Every month approximately 85,000–90,000 kg of fruits and vegetables are transported by rail to Skellefteå, Piteå, Luleå, Kalix and Boden.

#### Emissions per transported goods

	2020	2019
CO <sub>2</sub> e/tonne		
CO <sub>2</sub> e/tonne own distribution	15.6	17.2

During 2020 more than half of all deliveries between Axfood's warehouses and stores were conducted using the Group's own trucks. The higher sales during the year required more goods transports, which generated higher emissions. The total CO<sub>2</sub> effect per tonne of delivered goods for the Group's own transports was 15.6 CO<sub>2</sub>e (17.2), a decrease of 9.3% compared with a year ago. This positive trend can be credited to the fact that a growing share of Axfood's own trucks use fossil-free fuels. The reported data does not include Axfood's e-commerce deliveries. Despite an increase in e-commerce deliveries during the year, these still account for a small share of the total.

#### Sustainable farming

The largest share of the food retail sector's environmental impact comes from primary production. This pertains to, for example, the carbon footprint, biodiversity, use of pesticides

and eutrophication. The Group's environmental stewardship therefore stretches also to the farming sector, where the challenge is more related to advocating for more sustainable food production. Working with various sustainability labels is therefore an important tool in this work. The basic strategy is to work on raising the ceiling – i.e., improving the offering of truly good products – as well as the floor, which entails making stricter requirements for the wide assortment.

#### Risk ingredients

Axfood has an impact on the environment through its choice of ingredients and foods. To contribute to improved social and environmental conditions, Axfood uses various ethical markings and/or ecolabels for risk ingredients such as tea, coffee, chocolate, cacao, bananas, soy and palm oil. The Group actively advocates for responsible purchasing as well as with developing an assortment that offers customers an expanded selection of organic and sustainability labelled products. Axfood's quality assurance work covers mainly products sold under its private labels, although many sustainability requirements apply also for branded products. This work is grounded in internal policies and governance documents, where various quality and sustainability requirements steer where products are purchased and what requirements are put on the suppliers. The Group's policy is that the entire offering of coffee, tea, chocolate and cacao sold under the Garant, Eldorado and Dazzley private labels shall be sourced from growers that have approved certifications from Rainforest Alliance or Fairtrade. In addition, palm oil must be certified according to RSPO. Corresponding requirements apply also for soy – both in food products and in animal feed. Seafood sold in stores may not be red-listed according to WWF's fish guide. Any exceptions or departures from the applicable policies and governance documents must be approved through a separate process adopted by the Managing Director of Dagab. Organic products as a share of total sales in 2020 were level with the preceding year at 6.1% (6.2%). Fruits and vegetables accounted for the largest growth, while sales of animal-based products decreased the most. Organic products have a considerably higher share of sales online than in physical stores, which points to a positive trend in pace with the e-commerce expansion. In 2020 the rate of launches of new organic products remained high and included more than 20 private label products.

#### List of banned pesticides

In 2017 Axfood prepared a list of pesticides that suppliers are urged to phase out. The compounds on the list are banned in the EU, but permitted to some extent in the countries where the products are grown. Axfood's policy is that suppliers of fruits and vegetables shall adhere to the list of banned, hazardous pesticides. In 2019 Axfood's list of banned pesticides was adopted by the Swedish Food Retailers Federation, with certain additions. Having uniform requirements made by the industry as a whole facilitates suppliers' sustainability work.

#### Water use

To contribute to food production that has the smallest possible environmental impact, Axfood is working with the issue of water stress and access to fresh water. During the year a water routine was formulated that was tested with selected suppliers primarily of fruits and vegetables. The aim is to measure and follow up water use in existing supply chains in an effort to reduce the water footprint. The routine takes into account everything from average precipitation to irrigation techniques and how water-intensive the crops are. The results are analysed to determine whether the produce should be purchased or not, and what improvements may be necessary. The next step is to include the water issue in the existing sustainability routine for purchasing based on the experiences from the practical tests during the year.



# People

**Axfood's sustainability work with respect to people is reported under the focus areas sustainable suppliers, diversity enriches and healthy habits.**

## Sustainable suppliers

By setting standards for suppliers with respect to safety, the environment and social responsibility, Axfood creates conditions for favourable terms of work across the supply chain. High transparency among suppliers lends credibility to Axfood's sustainability work.

## Responsibility across the supply chain

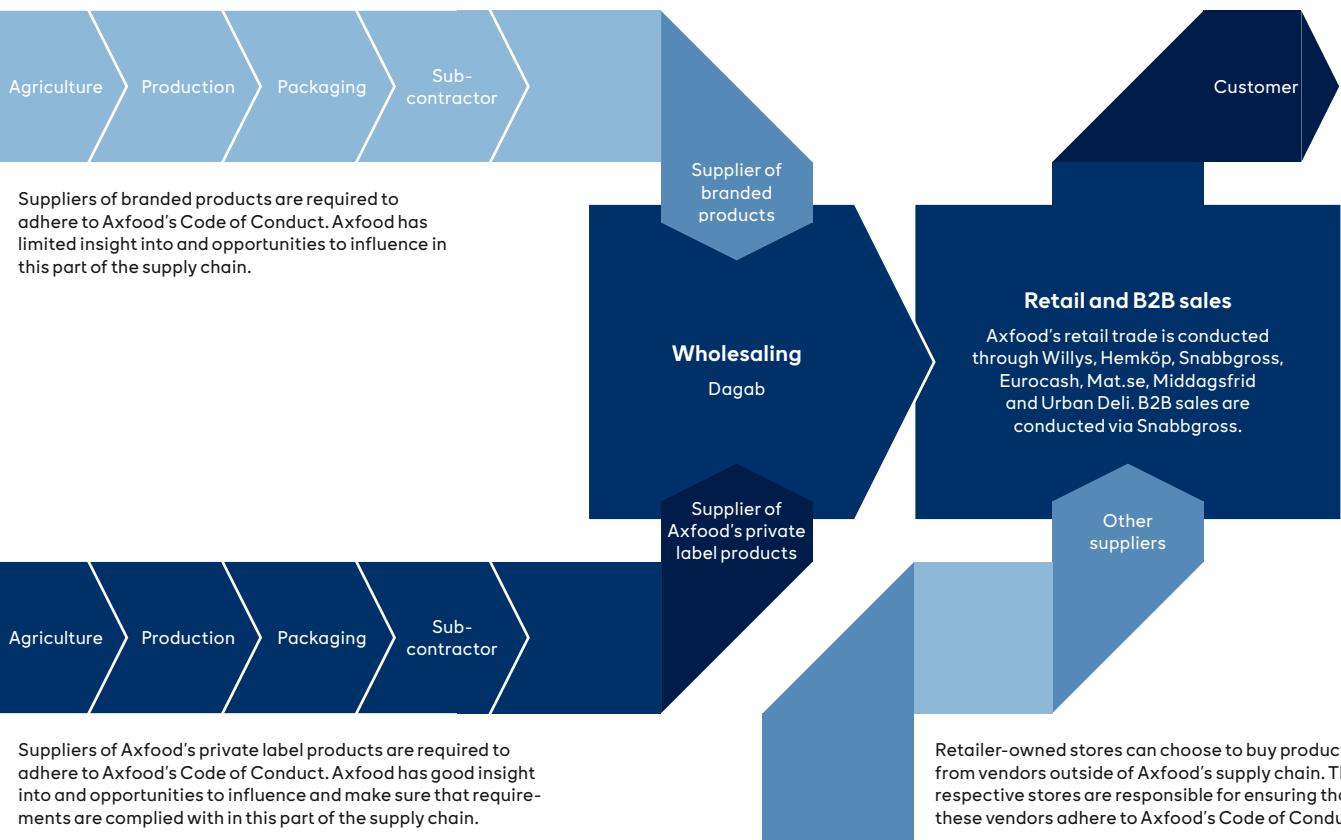
The supply chain in the food retail industry is often complex and built upon multiple steps with primary ingredients from several different countries. Maintaining good relationships and transparency increases Axfood's ability to influence in positive direction. The challenge is especially great in countries with insufficient public insight and weak institutions and trade unions. The Group makes use of the organization Amfori BSCI's classification when mapping risk countries. At the same time, it is important to not only focus on risk countries, but to also moni-

tor and follow-up certain sectors, such as those that rely heavily on seasonal workers. Problems with risk sectors exist even in Sweden. Axfood – together with Axfood foundation – has been a driver in developing the IP Sigill Arbetsvillkor ("IP Sigill Working Conditions") standard for production of fruits and vegetables in Sweden that relies on seasonal workers.

The supplier base for the private label product assortment is made up of 438 (450) suppliers and 1,061 sub-suppliers (n.a.). All supplier agreements are negotiated centrally by Dagab. By coordinating purchases of the Group's total volumes, Axfood gains strong purchasing power that also contributes to greater knowledge and control along the entire value chain.

Axfood strives to be able to have an influence in several areas of the supply chain. Control is conducted through follow-up of the Code of Conduct, sustainability assessments in connection with purchases of private label products (as part of the procurement process), and social site audits of suppliers mainly in risk countries. By gaining insight into suppliers' operations and ongoing activities at an early stage, Axfood has a greater opportunity to influence and ensure compliance with standards. This also creates an understanding of which suppliers Axfood needs to work more actively with to reduce the risk for deficiencies.

## Axfood's supply chain





#### *Sustainability assessment in purchasing*

The starting point for Axfod's work with suppliers is the Group's Code of Conduct, which lays out basic requirements for suppliers concerning the environment, social conditions and animal welfare. Every supplier that an agreement is entered with must accept the terms of the Code of Conduct or have its own with corresponding standards. The Code of Conduct is an integrated part of the purchasing process and is included in all supplier agreements, with the exception of certain local suppliers, which are handled directly by store managers. Suppliers undertake to adhere to Axfod's Code of Conduct when they enter into a contract with Axfod, which the respective purchasing managers are responsible for. Internally, work is under way on going through existing supplier agreements to ensure that all suppliers adhere to the requirements of the Code of Conduct.

Sustainability is an integral part of the purchasing process in connection with procurement of private label products. Procurement is to be conducted on equal terms, and sustainability requirements are to be specified early in the purchasing process. Every year the purchasing department compiles a plan for launching new products that looks at the countries of origin of products or their constituent ingredients. If an ingredient or product is deemed to be associated with an elevated risk, the sustainability officers conduct a sustainability assessment.

A mapping is performed of existing and potential risks in the supply chain based on a number of different parameters, such as child labour and union rights, and the information is updated continuously. Among other measures, suppliers must show that they have a systematic approach for complying with Axfod's Code of Conduct. This is to be done through social audit reports (such as BSCI, SA8000 and SEDEX) or by showing that a credible collective agreement has been entered into with a recognized trade union.

An important and crucial aspect of this assessment is that the suppliers show transparency and that they can provide an account of the environmental and social risks that may exist

in their respective supply chains. The sustainability officers compare their answers with the information in the risk analyses and determine on a three-degree scale if a supplier can be accepted, be accepted under certain conditions that are included in the agreement, or if the supplier is disqualified from the continuing procurement process. The sustainability officer has a mandate to not approve suppliers for new tenders if they do not have a systematic process for following up compliance and ensuring good social conditions in the supply chain.

#### *Review of suppliers of private label products*

The Group has the greatest insight and opportunity to influence suppliers that produce Axfod's private label products. Strong demands are put on these suppliers to minimize identified environmental and social risks. Social risks are associated above all with working conditions, corruption and human rights. These risks are judged to be the greatest in farming, product manufacturing and non-food products. Environment-related risks in the supply chain involve, for example, control of hazardous compounds in production, pesticides in agriculture, use of water and waste handling. All suppliers have different preconditions to minimize and prevent risks in their operations and along their own sub-supply chains. Axfod therefore only considers it to be reasonable in exceptional cases and as a last resort to discontinue a business relationship due to non-compliance with the Code of Conduct. Measures shall first be taken to make improvements so that compliance with the Code of Conduct is achieved. In cases where a supplier does not show a willingness to make improvements, the business relationship is terminated.

Axfod is working to make all suppliers more sustainable. Toward this end, development and information projects are undertaken to spread knowledge among the people working in the supply chain. Axfod stands behind the principle of everyone's right to a wage that they can make a living on. The legal minimum wage that exists in many countries does not always cover the basic costs for a family, i.e., a living wage. Since 2017



## People

Axfood has had a living wage strategy with activities at three levels: fundamental, developed and advanced. In collaboration with the global aid organization Oxfam, value chains for a number of product ingredients are analysed to identify ways of supporting growers and farmers to earn a sustainable living. For a couple of years Axfood has been conducting a partnership project in the basmati rice growing region in Punjab that has led to higher income for many of the region's small-scale farmers.

In China, Bangladesh and Thailand, Axfood has implemented the digital training tool QuizRR among its suppliers. The aim is to train managers as well as employees in labour law issues and improve conditions in the workplace. The training consists of short films in local language that are complemented with questions for follow-up discussions to assess the level of knowledge. The QuizRR project shows that it is possible to work progressively through social dialogue.

In addition to sustainability assessments in connection with new private label product tenders, annual assessments are conducted in which Axfood's existing suppliers are evaluated. These are documented in Axfood's new quality assurance system. The aim is to actively cooperate with existing suppliers, follow up any action plans and support suppliers in their work on becoming more sustainable. This work is followed up on a continuous basis and is evaluated after the period for making improvements has expired. During 2019 extensive work was begun on registering and classifying existing and new suppliers in Axfood's new quality assurance system. The system's database includes a mapping of the supply chain and sub-suppliers active in risk countries. In 2020 action plans were drawn up for how data can be systematically used in the external reporting. Since the database did not yet include complete information at the end of the year, no new key ratios are being communicated in the 2020 Annual and Sustainability Report.

**Social audits – Amfori Business Social Compliance Initiative**  
The risk for deviations from Axfood's Code of Conduct is believed to be greatest if products are manufactured in or contain ingredients or material from risk countries. The Group uses the organization Amfori BSCI's classification of risk countries. In addition, there are risk sectors in countries that traditionally are not regarded as risk countries. These include, for example, sectors with a large share of seasonal workers. Of Axfood's approximately 1,500 suppliers of private label products, more than 400 work in some 30 risk countries. In all risk countries, Axfood performs social audits to ensure compliance with the requirements laid out in the Code of Conduct. The selection of suppliers that are to be subject to an audit is based on risk.

Since 2015 most social audits have been conducted via Amfori BSCI. BSCI audits are broken down into five levels on a scale from A to E, where A is without remarks and E is unacceptable. Level C is considered to be an acceptable level, while D and lower requires that the supplier submits an action plan and explains the main reasons for any deviations. Suppliers that are audited via Amfori BSCI are followed up through an established routine within the framework of the audit system. Action plans are required and follow-up audits are conducted when needed. All action plans and follow-up audits are conducted, depending on the score, within 12 to 24 months to ensure that adequate measures have been completed. In addition, a zero tolerance policy applies for particularly urgent cases of serious human rights violations, such as child labour, compulsory labour, or where there is immediate danger for health and safety. Axfood follows up serious deviations directly with the supplier in accordance with an established process. Thereafter, Amfori BSCI convenes a meeting with the supplier and all pertinent buyers to agree upon an action plan.

**GRI 414-2 Negative social impacts in the supply chain and actions taken**

	2020	2019
Number of private label product suppliers assessed for social impacts	123	96
Of which, follow-up audits	46	-
Number of suppliers identified as having negative social impacts		
Number of suppliers that received a score of D	13	11
Number of suppliers that received a score of E	0	0
Number of suppliers identified as having zero-tolerance deviations	0	1
Number of suppliers identified as having negative social impacts where action plans have been submitted	12	12
Number of suppliers identified as having negative social impacts where action plans were not submitted during the current reporting period	1	0
Share of suppliers identified as having negative social impacts where action plans have been submitted, %	92	100
Number of suppliers identified as having negative social impacts where the relationship was terminated	0	1
Share of suppliers identified as having negative social impacts where the relationship was terminated, %	0	1

A total of 123 (96) social audits were conducted in 2020. The large increase is mainly attributable to improved system support, where suppliers can more easily be coupled to Axfood in BSCI's audit platform. The coronavirus pandemic delayed many audits that could nevertheless be conducted later in the year. In total, 13 suppliers were identified as having some sort of negative social impact according to BSCI's audit system. Five of these were audited according to BSCI's system for the first time. The other eight were follow-up audits where the purpose was to follow up the status from previous audits with focus on how the suppliers can make improvements. Common deviations from the audits during the year mainly pertained to deficient working conditions and work environments. Among other things it was noted that employees work too much overtime, and in certain cases it was not possible to verify working hours due to a lack of documentation. Shortcomings in handling chemicals, preventive fire safety work, lack of statutory inspections of equipment and buildings are deviations that were identified as being serious.

**Suppliers – anti-corruption and bribery**

Through its Code of Conduct Axfood requires contract suppliers to prevent corrupt conduct. Local suppliers that are dealt with directly by store managers are not included. In connection with suppliers agreeing to the Code of Conduct, they pledge that they have an anti-corruption policy and routines for monitoring corruption and unethical behaviour, also among sub-suppliers. Axfood's Code of Conduct prescribes zero tolerance in two areas:

- Suppliers are not permitted to present untruthful oral or written information.
- Suppliers are not permitted to solicit or receive bribes or engage in any other form of corruption.

If a supplier is in violation of either of these two areas, it is considered to be sufficient grounds for terminating the arrangement. Monitoring of corruption risk in the supply chain is done primarily of suppliers of private label products that are made in risk countries, where the risk for corruption is considered to be greatest. Monitoring is done through social audits and dialogue with suppliers. This work is made more difficult since it is hard to gain insight into the sub-supplier level, especially finding out whether sub-suppliers have engaged in corrupt conduct.



Dagab's sustainability officer is responsible for following up social audits. Amfori BSCI also conducts extensive integrity work including unannounced spot checks and reviews the entire database of social audits to identify any irregularities in audit documentation. Dagab's staff in the purchasing and quality assurance functions as well as in the office in China undergo training in anti-corruption, where Dagab has specifically drawn up an anti-corruption programme. The programme aims to improve and develop internal processes in order to be able to work preventively against corruption.

#### GRI 205-3 Confirmed incidents of corruption and actions taken

	2020	2019
Number of confirmed incidents of corruption, external	0	1
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	0	1

A total of 123 (96) social audits were performed in 2020. Of this total, 118 (96%) were without remarks regarding corruption or deviations from Axfood's ethical guidelines, while 3% (2%) had minor deviations. Only two audits showed larger deviations that required remediation. No contracts with suppliers were terminated during the year due to intentional, false information or deficient business ethics.

#### Diversity enriches

For Axfood, every individual is equally important, and diversity is essential for building a strong team. Axfood strives for an even gender balance and broad international representation among its employees and managers. The employees' diversity of talents, competencies, backgrounds and perspectives creates new opportunities and leads to better decisions. Gender equality and diversity are key principles within the entire Company. All workplaces shall therefore be free from all forms of discrimination and offensive treatment.

#### Diversity and gender equality – everyone's equal value

For Axfood, an open and inclusive company culture that fosters diversity and gender equality is a success factor. Having employees who are a reflection of society as a whole enables the Group to effectively meet the needs of customers and other stakeholders.

Within the Group are a number of guidelines and governance documents that stress the importance of embracing employees' varying talents, competencies, backgrounds and perspectives. Two examples are the Group's ethical conduct rules and equal treatment policy.

Axfood works to increase diversity among its employees by ensuring objective and fair recruitment processes. Ambitious and long-term targets ensure that the Company is steering towards a more differentiated workforce with a more even balance between men and women in management positions. Succession planning is one way of securing and retaining competence, diversity and equal opportunity within the organization. This work is being driven forward through transparency and continuous follow-up of target achievement.

One measure of gender balance is the share of women in management positions, and this is monitored internally for the individual companies on a monthly basis and communicated externally in interim reports and in the Annual and Sustainability Report.

#### Gender balance among Axfood's managers

% 	Men		Women	
	2020	2019	2020	2019
Board of Directors	62	57	38	43
Executive Committee	50	70	50	30
Management team, incl. Group and staff management	63	62	37	38
Employees with subordinates	67	70	33	30
Employees – salaried	46	46	54	54
Employees in warehouses and transport	79	80	21	20
Employees – stores	35	36	65	64
<b>Total</b>	<b>44</b>	<b>45</b>	<b>56</b>	<b>55</b>



## People

Axfood has set a target to have a gender balance in management positions within a range of 40%–60%. The share of men in 2020 was 44% (45%) and the share of women was 56% (55%). Since 2020 Axfood's Executive Committee has an entirely even gender balance.

## Diversity

	International background	
	2020	2019
Management team, incl. Group and staff management	10	4
Managers (employees with subordinates including team leaders)	15	15
Employees – salaried	13	13
Employees in warehouses and transport	39	36
Employees – stores	27	26
<b>Total</b>	<b>26</b>	<b>26</b>

Axfood has set a target that 20% of the Group's managers will have an international background. During 2020 this share was 15%, which is level with the preceding year. Within the respective companies' management teams (including Group and staff management), the share increased to 10% (4%).

## Business ethics and discrimination

To maintain high trust among customers, suppliers and other stakeholders, it is important to uphold and strive for transparency and good business ethics. All persons who perform work for Axfood or who in some other way represent the Group are – apart from acting in accordance with applicable regulations and laws – obligated to adhere to the Group's ethical conduct rules and equal treatment policy. All employees who have an authorization right sign the ethical guidelines in connection with their hiring. Suppliers that are invoiced on a continuous basis are required to certify that they accept Axfood's Code of Conduct. In addition, to ensure adherence to the ethical guidelines and Code of Conduct, all employees with an authorization right or who can in some other way influence purchasing decisions for products or services are required to sign the ethical conduct rules every year.

Axfood's whistleblower function contributes to adherence of the Code of Conduct. The whistleblower function is a key tool for upholding good corporate governance and contributing to an effective process in which the Executive Committee is quickly informed about risks and deficiencies in the operations to be able to investigate and remedy them. All wholly owned companies within the Group, except for Urban Deli and Cold Cargo, have access to Axfood's whistleblower service. The service is provided by an external contractor, which enables anonymous reporting. Cases reported via the whistleblower service are initially addressed by the Group's whistleblower committee. The committee was established in 2016 and consists of four employees from different parts of operations. When needed, external specialists are brought in. The number of reported and addressed cases is reported yearly to the Board of Directors.

The matters submitted via the whistleblower function in 2020 were addressed in accordance with the established routine. One matter qualified as a whistleblower case. The matter was investigated and was concluded during the current reporting period. The remaining matters were forwarded to other functions within the respective companies for further handling.

## Healthy habits

Axfood shall offer its employees a safe and healthy work environment which, together with good working conditions, creates a sustainable work climate with low sickness-related absen-

teeism and good health. Through extensive quality assurance work, Axfood ensures and offers a varied assortment of healthy alternatives that create conditions for good food habits and prevent ill-health.

## Work environment and employee health

The food retail industry is developing constantly in pace with consumers' rapidly changing needs and behaviours. A high pace of change and complexity are putting new demands on Axfood's employees, and it is becoming increasingly important to attract, develop and retain the right competence. Since Axfood is a growing group, it has a continuous need for new leaders and employees. Employees are to be offered a safe and healthy work environment which, together with good working conditions, creates a sustainable work climate with a high work attendance rate and good health.





#### Governance and work approach

Work environment and health are addressed in Axfood's Code of Conduct, and a Group-wide work environment policy covers all companies and employees. Work environment and health initiatives are included as a natural part of operations and are conducted through cooperation between employers, employees and the employee unions. Managers, employees and the unions shall actively participate in the work on achieving a good work environment that promotes employees' health.

Axfood has a central HR organization and local HR departments in the Group's companies. At the central level, HR specialists work with Group-wide processes, systems and training courses. In support of this work are an employee manual, work environment committee and employee support. The Group works both closely with operations and strategically on issues pertaining to employees and their development.

Axfood has a Group-wide training unit for competence development, Axfood Academy. All employees have both the opportunity and an obligation to pursue continuing education and competence development. Employees receive relevant training for their roles and participate in performance reviews with their immediate managers at least once a year. Together they draw up, decide on and follow up the respective employees' development plans. Axfood's leaders take the Axfood Academy's leadership courses, where they receive training in matters such as absenteeism, rehabilitation and the work environment. They are also provided with tools to be able to act on early signs

of ill-health and strive to increase the work attendance rate through proactive wellness initiatives.

It is fundamental for all of Axfood's wholly owned companies to act in accordance with labour and work environment laws as well as with collective agreements. Axfood believes that its governance of strategic employee matters is suited for its purpose. All employees in Sweden are employed by companies in the Group and are covered by Swedish collective agreements. Parts of operations are conducted by contractors or consultants, and for these individuals, work environment laws and regulations that apply for the respective workplaces are followed.

#### Monitoring

Axfood adheres to highly set standards for a good work environment. Development of individual incidents, injuries, employee turnover and the work attendance rate is therefore monitored closely, which is a way of evaluating the effectiveness of the continuing work with employee health and the work environment.

Employee turnover and the work attendance rate are monitored internally at the Group and company levels on a monthly basis and are communicated externally on a quarterly and yearly basis. Key ratios are also monitored per contract area. Larger deviations from previously periods can be an indication of defects in the operations and dissatisfaction among employees. The earlier these are detected, the greater the ability is to influence, investigate and remedy.





Work environment initiatives within Axfood are governed, conducted and monitored through work environment committees. At the Group level is a work environment group made up of union representatives, a chief occupational safety officer, representatives from Axfood's companies and Axfood's central work environment function. At the company level, work environment committees are normally established at three different levels: central, regional and local. The local safety committees cover operations in warehouses and stores. At smaller workplaces without an own local safety committee, work environment activities are conducted in the form of safety inspections and employee meetings. This means that even employees at these workplaces have influence over their local work environment activities.

Axfood has routines for identifying early signs of ill-health. Managers conduct well-being talks with employees in cases of repeated sickness-related absence of three occasions within six months or six occasions within twelve months. The talks are aimed at deciding on measures together for preventing ill-health and sick leave. To ensure that managers have knowledge about the routines at their disposal, training in systematic work environment initiatives, sickness-related absenteeism, the rehab process, and organizational and social work environments is obligatory for all managers. System support for sickness-related absenteeism and rehabilitation is available.

**GRI102-8 Information on employees**

Number of employees by employment contract – gender breakdown	Men		Women		Total	
	2020	2019	2020	2019	2020	2019
Permanent and probationary	5,906	5,485	6,914	6,277	12,820	11,762
Temporary employment	446	456	792	717	1,238	1,173
<b>Total</b>	<b>6,352</b>	<b>5,941</b>	<b>7,706</b>	<b>6,994</b>	<b>14,058</b>	<b>12,935</b>

Number of employees by employment type – gender breakdown	Men		Women		Total	
	2020	2019	2020	2019	2020	2019
Full-time	3,999	4,096	2,717	3,288	6,716	7,384
Part-time	2,353	1,845	4,989	3,706	7,342	5,551
<b>Total</b>	<b>6,352</b>	<b>5,941</b>	<b>7,706</b>	<b>6,994</b>	<b>14,058</b>	<b>12,935</b>



Number of employees by employment contract – contract area	Retail		Warehouses		Salaried employees		Transport		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Permanent and probationary	8,354	7,545	2,548	2,295	1,882	1,835	36	87	12,820	11,762
Temporary employment	1,091	1,067	78	70	69	35	0	1	1,238	1,173
<b>Total</b>	<b>9,445</b>	<b>8,612</b>	<b>2,626</b>	<b>2,365</b>	<b>1,951</b>	<b>1,870</b>	<b>36</b>	<b>88</b>	<b>14,058</b>	<b>12,935</b>

**GRI 401-1 New employee hires and employee turnover**

Employee turnover, age breakdown*	-29 yrs		30–49 yrs		≥50 yrs	
	2020	2019	2020	2019	2020	2019
Number of new employee hires	1,224	1,131	577	540	103	88
Hiring turnover, %	26.3	25.5	10.2	10.4	4.1	4.1
Number of employees who have left	1,057	1,280	677	622	145	136
Employee turnover, %	22.7	29.0	11.9	12.0	5.8	6.0

\*Reported data for 2020 does not include 19 new employee hires and 35 terminations.

Employee turnover, women and men*	Men		Women		Total	
	2020	2019	2020	2019	2020	2019
Number of new employee hires	853	851	1,068	908	1,923	1,759
Hiring turnover, %	14.4	15.5	15.4	14.5	15.0	15.0
Number of employees who have left	887	863	1,026	1,175	1,914	2,038
Employee turnover, %	15.0	16.0	14.8	19.0	14.9	17.3

\*Reported data only includes employees with a disclosed binary gender identity.

Employee turnover, contract area	Retail		Warehouses		Salaried employees		Transport	
	2020	2019	2020	2019	2020	2019	2020	2019
Number of new employee hires	1,145	931	592	487	174	246	12	95
Hiring turnover, %	13.7	12.3	23.2	21.2	9.2	13.4	33.3	109.2
Number of employees who have left	1,258	1,457	427	382	165	177	64	22
Employee turnover, %	15.1	19.0	16.8	17.0	8.8	10.0	177.8	25.0

The number of new employee hires has increased in pace with the Group's growth. Employee turnover decreased compared with a year ago. This is mainly due to a nervous job market, where employees have been less inclined to look for new work during the coronavirus pandemic since job opportunities have been fewer. This is noticed mostly among younger employees, where employee turnover decreased the most (6.3 percentage points).

The work attendance rate in 2020 was 93.2% in total (94.4%). The change is mainly attributable to restrictions related to the pandemic, which contributed to a lower work attendance rate since people with symptoms were recommended to stay home from work.

**Product safety – customer health and safety**

To safeguard safety and health, all Axfood products must be in compliance with food safety laws. If serious defects in food safety, hygiene, the cold chain or product liability are identified for a specific product that risks customers' health and safety, the product is recalled immediately.

Defects related to product safety could cause financial loss as well as harm to the brand. Axfood therefore works actively in this area, among other things with extensive internal inspection programmes in stores and quality assurance of private label products. This work covers the entire process, from recipe formulation and choice of additives to manufacturing. The requirements that this pertains to are stated in Axfood's quality

strategy, which serves as the Group's internal governance document and guidance on matters pertaining to product and food safety as well as other important requirements for product and production quality. The strategy stipulates specific requirements for the respective product categories. Information on products' ingredients and composition is reviewed both in respect of internal policies and applicable laws. Only products that meet all internal and external criteria may be sold. This ensures that the products sold in Axfood's stores are safe for consumption.

Compliance with and follow-up of Axfood's quality strategy are an integral part of the daily operations. Axfood has a policy that food suppliers must be certified according to a standard approved by the Global Food Safety Initiative (GFSI). For Axfood's household chemical products, cosmetics and skin care products, the suppliers must be certified according to ISO 9001 and Good Manufacturing Practice (GMP). Axfood's nonfood products are to be certified according to ISO 9001. In addition, a safety assessment of products is to be performed by an external expert.

The quality strategy is updated on a continuous basis as existing requirements are expanded or new ones are implemented. Dagab's quality department is responsible for ensuring that both the existing assortment and new products meet requirements. In stores, daily arrival and temperature controls are conducted, and clear routines are in place for handling,



for example, unpackaged foods to ensure that food hygiene is maintained and to uphold the integrity of the cold chain.

#### *Product recalls*

Despite Axfood's quality work and internal inspection programme, it happens that products must be recalled. Recalls are announced when a product is deemed to pose a health risk or due to incorrect labelling or a quality defect. Clear internal routines and action plans are in place for product recalls, and serious recalls are communicated to the public via press release. A compilation of product recalls during the year is communicated every year in the Annual and Sustainability Report.

#### **416-2 Incidents of non-compliance concerning the health and safety impacts of products and services**

Total number of recalls during the reporting period as a result of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services	2020	2019
<b>Number of recalls due to quality defects</b>		
Private label products*	32	36
Other products	83	73
<b>Total</b>	<b>115</b>	<b>109</b>

\*Of which 5 (2) were of a serious nature.

During 2020 a total of 115 (109) product recalls were conducted, most of which pertained to branded products. No recalls resulted in the imposition of fines.

#### *Healthy choices*

Axfood strives to offer a varied assortment of healthy products that create conditions for good food habits. Both existing and new products in the assortment are continuously reviewed from a health perspective with the goal to minimize ingredients with negative health effects. The basic rule is to not use unnecessary additives, such as azo dyes. Any additives used must fulfil key functions.



# Reporting principles and definitions

## Boundaries

Axfood's sustainability report covers mainly the part of operations that has a significant and direct impact from a sustainability perspective – primarily the Group's own operations. Axfood collaborates with more than 600 independent retailers through agreements. Information that includes the independent retailers is presented when it is significant for providing a comprehensive picture of the Group's sustainability work. Businesses that are outside of the Group's direct control, such as the operations of suppliers of branded products, as well as customers' activities, are not included in the report unless specified otherwise.

## Changed information from previous sustainability report

In 2020 work was begun on reviewing reporting routines and following up key ratios coupled to sustainability targets and KPIs. This work has affected the opening, reported data in the year's reporting for the comparison year 2019. The purpose of the review has been to improve the quality and thoroughness of the data reported externally and that is followed up internally.

## Significant changes in the scope and boundaries of the reporting

- All warehouses are included in measurements of electricity consumption.
- Procured transports, refrigerant leaks from warehouses and waste are included in total emissions data.
- A new definition for the share of sustainability-labelled products applies as from December 2019.
- Information on waste is based on data from the Group's external waste handling contractors.

## Emissions

Data is collected internally and from pertinent suppliers. Climate data generally has a certain level of uncertainty owing to varying measurement methods and data quality. A GHG emissions disclosure is also prepared within the framework of the Haga Initiative corporate climate action network. The total volume of greenhouse gases is reported in tonnes of CO<sub>2</sub> equivalents (CO<sub>2</sub>e). Reporting is done in accordance with the GHG protocol. According to the GHG protocol, Scope 1 and 2 emissions are obligatory to report. Reporting Scope 3 emissions is not obligatory, but shall be done as far as possible. Specific emissions factors have been used to calculate Scope 1, 2, and 3 emissions in accordance with the market-based method. For calculations of Scope 2 emissions in accordance with the location-based method, the Nordic average mix for 2019 has been used: 74.853 g CO<sub>2</sub>/kWh. As a comparison, the Nordic residual risk for 2018 was 76.572 g CO<sub>2</sub>/kWh. The following emission sources are included:

- Leaks of refrigerants from Group-owned stores, Group-owned transports and warehouses (Scope 1).
- Car travel using cars owned by Axfood (Scope 1).
- Purchased electricity and district heating for offices, subsidiaries, Group-owned stores and warehouses within the Group (Scope 2).
- Fuel consumption for outgoing transports from warehouses to stores. Fuel consumption for Group-owned trucks is reported under Scope 1, and fuel consumption for subcontracted trucks is reported under Scope 3.
- Recycling of waste from Axfood's stores and Dagab (Scope 3).
- Business travel by rail, air, coach and car (Scope 3).

## Energy consumption

The total amount of consumed energy is reported in megawatt hours (MWh) and includes electricity consumption, heating and cooling. The calculations include only offices, warehouses and stores for which Axfood is the lease holder, except for a few warehouses where certain data is provided directly by the lessor. Newly established stores and warehouses are included in the reporting starting from the month in which they were opened. The sampling includes electricity consumption under joint contracts for a total of 276 of Axfood's Group-owned stores, three office buildings and all warehouses. Self-generated energy pertains to solar power from seven of Axfood's Group-owned solar panel systems and self-produced heat from refrigeration units at four warehouses. All data pertains to actual consumption during the 2020 calendar year.

## Energy intensity

Electricity consumption (kWh) under joint agreements as a percentage of Axfood's net sales (SEK). Reported data is presented on a rolling 12-month basis.

## Electricity consumption in stores and warehouses

Electricity consumption is reported as the number of used kilo-watt hours (kWh) of purchased electricity per square metre. The sampling includes electricity consumption under joint contracts for a total of 276 of Axfood's Group-owned stores and six warehouses. The number of square metres corresponds to the total area of all stores and warehouses. All data pertains to actual consumption during the 2020 calendar year.

## Refrigerants

Refrigerants include refills of refrigerants in all warehouses and stores, and refrigeration units in trucks. The data is based on statutory refrigerant reports. Information on refrigerants in warehouses and stores pertains to the preceding year's consumption, where the degree of refilling has been estimated. For CO<sub>2</sub> emissions, the Global Warming Potential (GWP) for the respective types of refrigerants has been calculated using emissions factors from IPCC (2006–).

## Transports

Data pertains to goods transports between warehouses and stores.

### Group-owned transports

Reported data is based on consumption from 150 (157) heavy-duty trucks and 110 (125) light-duty trucks. Data is collected from fuel suppliers. Emissions factors are compiled with the help of documentation from the Swedish Energy Agency and fuel producers. Reported data for Group-owned transports is presented for the period December 2019–November 2020. Emissions have been calculated in accordance with the so-called reduction obligation. The share of total emissions in relation to delivered goods is reported as the number of CO<sub>2</sub> equivalents (CO<sub>2</sub>e) from purchased fuel (litres) in relation to total transported goods (tonnes) between warehouses and stores. Data pertains only to goods delivered using the Group's own fleet.

**Procured transports**

Reported data is based on 288 (287) trucks. Data on fuel consumption and emissions has been obtained from the Swedish Association for Road Transport Companies. Data for procured transports is presented for the period October 2019–October 2020. Emissions have been calculated in accordance with the so-called reduction obligation.

**Waste**

Reported waste is attributable to data from waste handling contractors, based on the number of collections made during the current reporting period. Data is reported as the number of tonnes for Group-owned stores and warehouses. Stores opened or closed are included from the date they became included in or were eliminated from the financial reporting.

**Employees**

Reported data includes all active employees in Axfood. Active employees pertains to all employees except for employees of Urban Deli AB and Hall Miba AB. Internal consultants are not included. Active employees without a specified binary designation are not included in the calculations of gender balance or employee turnover. Since Axfood's operations are conducted throughout Sweden, the number of employees per region is not reported.

**Employee turnover**

Employee turnover pertains to the number of persons who began and left during the year in relation to the total number of employees. Reported numbers does not include deaths, terminations, pension as well as acquired or divested businesses. The calculation is based on data from Statistics Sweden.

**Gender balance**

Gender balance is calculated as the share of women in management positions at the end of the current period. By management position is meant employees, including members of the Executive Committee, who are defined as managers with employee responsibility. The calculation is based on data from Statistics Sweden.

**Work attendance rate**

The work attendance rate is defined as the number of reported hours of sickness-related absence in relation to scheduled work time. Time spent on parental leave or other leaves of absence is not included. Sickness-related absences for 2020 pertain to time worked during the period December 2019–November 2020.

**Diversity**

Diversity is defined as the number of employees with an international background in relation to the total number of employees. Employees with an international background refers to employees who were either born outside of Sweden or whose parents were both born outside of Sweden. The calculation is based on data from Statistics Sweden.

**Suppliers**

Information about socially audited suppliers pertains to active suppliers of the Group's private label products in high risk countries whose production facilities have either undergone

an initial or follow-up social audit in accordance with any of the third-party audits that Axfood accepts. How long a supplier is considered to be approved depends on the pertinent standard's principles or the audit report. Main suppliers are contractual partners or the suppliers that Dagab makes its direct purchases from. By production facility is meant factory, packing house or farm. Countries with a high risk level are defined in accordance with Amfori BSCI's definition for the current reporting period.

**Assortment****Share of organic sales**

Sales of organic-labelled products with a valid country of origin marking as a percentage of Axfood's total food sales. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Snabbgross store chains.

**Share of sustainability-labelled products**

Sales of sustainability-labelled products with a valid country of origin marking as a percentage of the Axfood Group's total store sales. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Snabbgross store chains.

**Share of KRAV-certified meat**

Sales of KRAV-certified meat items (fresh and frozen) as a percentage of the Axfood Group's total sales of meat products. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Snabbgross store chains.

**Growth in plant-based protein substitutes**

The current period's sales of plant-based protein substitutes in relation to sales during the corresponding period a year ago. Plant-based protein substitutes refers to all items included in the refrigerated vegetarian main category and the deep frozen vegetarian presentation category. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Snabbgross store chains.

**Fresh and frozen private label seafood products**

Sales of seafood products certified according to MSC, ASC and/or KRAV (fresh and frozen) as percentage of Axfood's total sales of seafood products. The selection includes Group-owned stores in the Willys, Eurocash, Hemköp and Snabbgross store chains.

**Food waste**

Food waste is reported in relation to total sales and pertains to Axfood's purchase price of products thrown out. Total food waste is defined as the registered amount of total waste plus returns and unknown shrinkage from fruits and vegetables. Unknown shrinkage from fruits and vegetables has been estimated using a standardized formula. Food waste that is compensated financially through clearance sales or that is donated to charity is not included in the calculation. The reporting includes Willys, Hemköp (including retailer-owned stores), Snabbgross and Eurocash. Reported data pertains to the 2020 calendar year.

**Precautionary principle**

The precautionary principle is one of the fundamental principles for generally accepted reporting standards. The precautionary principle applies for sustainability where necessary, such as in estimates.



# GRI Index

The following pages show where the GRI Standards' obligatory standard disclosures and selected indicators based on the materiality analysis are reported in this Annual and Sustainability Report. Nasdaq has produced a voluntary guide for sustainability reporting with value-driving indicators that are considered to be important aspects for investors. The GRI factors that are included in the stock exchange's guide are marked below.

102-XX | Indicators marked in red are included in Nasdaq's sustainability reporting guide.

GRI Standards	Description/disclosure	Content	Page reference	Omitted information
GRI 102: General disclosures	102-1	Name of the organization	38	
	102-2	Activities, brands, products and services	3, 18–33	
	102-3	Location of headquarters	38	
	102-4	Location of operations	38	
	102-5	Ownership and legal form	38, 121, 136–137	
	102-6	Markets served	38	
	102-7	Scale of organization, including number of employees, operations, sales, capital	38, 40–43, 46–47, 60	
	102-8	Information on employees and other workers	105–106, 109	
	102-9	The organization's supply chain	99–100, 108	
	102-10	Significant changes to the organization's size, structure, ownership, supply chain during the reporting period	108	
	102-11	Precautionary principle or approach	109	
	102-12	External sustainability principles and initiatives that the organization supports	88, 92, 96, 98	
	102-13	Membership of associations	88	
Strategy	102-14	Statement from CEO	6–9	
Ethics and integrity	102-16	Values, principles, standards and norms of behaviour	34–37, 88, 103	
Governance	102-18	Governance structure	88, 118–129	
Stakeholder involvement	102-40	List of stakeholder groups	89	
	102-41	Collective bargaining agreements	104	
	102-42	Identifying and selecting stakeholders	89	
	102-43	Approach to stakeholder engagement	89	
	102-44	Key topics and concerns raised	89	
Reporting bases	102-45	Entities included in the consolidated financial statements	108	
	102-46	Defining report content and topic boundaries	108–109	
	102-47	List of material topics	89	
	102-48	Restatements of information	108	
	102-49	Changes in reporting	108	
	102-50	Reporting period	38, 88–89	
	102-51	Date of most recent report	89	
	102-52	Reporting cycle	38, 88–89	
	102-53	Contact point for questions regarding report	89	
	102-54	Claims of reporting in accordance with the GRI Standards	89	
	102-55	GRI content index	110–111	
	102-56	External assurance		Not externally assured



102–XX | Indicators marked in red are included in Nasdaq's sustainability reporting guide.

GRI Standards	Description/ disclosure	Content	Page reference	Omitted information
GRI 205: Anti-corruption	103–1/2/3	Approach 205	101–103, 108–109	
	205–3	Confirmed incidents of corruption and actions taken	101–103	
GRI 302: Energy	103–1/2/3	Approach 302	94–96, 108–109	
	302–1	Energy consumption within the organization	95	
	302–3	Energy intensity	95–96	
GRI 305: Emissions	103–1/2/3	Approach 305	94, 108–109	
	305–1	Direct (Scope 1) GHG emissions	94	
	305–2	Indirect (Scope 2) GHG emissions	94	
	305–3	Other indirect (Scope 3) GHG emissions	94	
GRI 306: Waste	103–1/2/3	Approach 306	96–97, 108–109	
	306–2	Total weight of waste, by type and disposal method	97	
GRI 401: Employment	103–1/2/3	Approach 401	102–106, 108–109	
	401–1	New employee hires and employee turnover	106	
GRI 403: Occupational health and safety	103–1/2/3	Approach 403	103–105, 108–109	
	403–2	Injuries, occupational illnesses, lost working days	103–105	
GRI 406: Non-discrimination	103–1/2/3	Approach 406	102–103, 108–109	
	406–1	Incidents of discrimination and corrective actions taken	102–103	
GRI 414: Supplier social assessment	103–1/2/3	Approach 414	99–102, 108–109	
	414–2	Negative social impacts in the supply chain and actions taken	101	
GRI 416: Customer health and safety	103–1/2/3	Approach 416	106–109	
	416–2	Incidents of non-compliance concerning the health and safety impacts of products and services	107	



# Statutory sustainability report

Axfood is subject to the requirement for a statutory sustainability report in accordance with Ch. 6 § 11 of the Annual Accounts Act. The statutory sustainability report covers the entire Axfood Group including all subsidiaries and is presented in the Annual and Sustainability Report under the headings below, and covers the reporting requirements about the environment, social responsibility, employees, human rights and anti-corruption.

## Sustainability report index – Annual Accounts Act

The following shows where the requirements for sustainability information pursuant to the Annual Accounts Act is reported in this Annual and Sustainability Report.

Area	Disclosure	Page reference
General	Business model	18–19
Environment	Policy and environmental issues Risks and their management regarding environmental issues Targets and results related to environmental issues	88–89 34–37 15, 94–98
Social conditions	Policy and social issues Risks and their management regarding social issues Targets and results related to social issues	88–89 34–37 15, 99–107
Respect for human rights	Policy and human rights Risks and their management regarding human rights Targets and results related to human rights	88–89 34–37 100–103
Anti-corruption	Policy for work with anti-corruption Risks and their management regarding anti-corruption Targets and results related to anti-corruption	88–89 34–37 101–103

## Auditor's report on the statutory sustainability report

This report is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish original, the latter shall prevail.

### To the general meeting of the shareholders of Axfood AB (publ) corporate identity number 556542-0824

#### *Engagement and responsibility*

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2020 as defined by the Board of Directors on page 112 and that it has been prepared in accordance with the Annual Accounts Act.

#### *The scope of the audit*

Our examination has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards

on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

#### *Opinion*

A statutory sustainability report has been prepared.

Stockholm 18 February 2021  
Deloitte AB

**Hans Warén**  
Authorized Public Accountant



# Sustainability programme

Axfood's sustainability programme encompasses short- and long-term targets. A majority of the targets are coupled to Sweden's Environmental Objectives and the UN's Global Sustainable Development Goals (SDGs). Of the SDGs, "Responsible consumption and production" and "Climate action" are the most relevant for Axfood.

Axfood's sustainability programme is revised on a continuous basis and is updated on the Group's website. New targets are added as the Group's sustainability work develops, and certain targets are replaced with new ones. In 2020 the targets in the sustainability programme were rearranged in accordance with the following areas – food, the environment and people.

## A selection of Sweden's Environmental Objectives

	Reduced climate impact		A balanced marine environment, flourishing coastal areas and archipelagos
	Natural acidification only		Sustainable forests
	A non-toxic environment		A varied agricultural landscape
	Zero eutrophication		A rich diversity of plant and animal life
	Flourishing lakes and streams		A good built environment

## A selection of the UN's Global Sustainable Development Goals

	No poverty		Decent work and economic growth		Life on land
	Good health and well-being		Reduced inequalities		Peace, justice and strong institutions
	Gender equality		Responsible consumption and production		Partnerships for the goals
	Clean water and sanitation		Climate action		
	Affordable and clean energy		Life below water		



## Sustainability programme

● Achieved ● In progress ● Target not achieved

Targets	Coupling to Sweden's Environmental Objectives	Coupling to the UN's Sustainable Development Goals	Results and comments	Status
<b>Food</b>				
The share of sustainability-labelled products will amount to at least 30% by 2025.	  	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
Axfood shall offer a highly varied assortment of healthy products by developing the assortment and promoting an offering that guides consumers toward more fruit, vegetables, vegetable fats and products with less added sugar and salt.	  	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
Axfood will lead the way in advocating for more sustainable production and consumption by influencing the industry and authorities and developing the best customer offering of alternative, plant-based proteins, fruits, vegetables and nuts to help reduce the carbon footprint.	  	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
Food waste from Hemköp, Willys, Snabbgross and Dagab will be cut in half by 2025 at the latest (base year 2015).	  	3 GOOD HEALTH AND WELL-BEING 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
By 2022 at the latest, Axfood's store chains will sell only green-listed fish and shellfish products.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
Axfood's store chains will work actively to highlight good sustainability choices.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 14 LIFE BELOW WATER 15 LIFE ON LAND		
Axfood will increase its share of organic food sales to 10% by 2020.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND	Sales of organic products have stagnated in recent years, especially animal-based products. New target adopted in December 2020.	
Hemköp will increase its share of organic food sales to 15% by 2020.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND	Sales of organic products have stagnated in recent years, especially animal-based products.	
Tempo will increase its share of organic food sales to 6% by 2020.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND	Sales of organic products have stagnated in recent years, especially animal-based products.	
Hemköp's sales of organic meat will amount to 15% of total meat sales by 2020.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND	Sales of organic products have stagnated in recent years, especially animal-based products.	
Snabbgross will increase its sales of Swedish meat by 25% by 2020 (base year 2018).	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
By 2025 at the latest, all suppliers of private label meat and meat products will meet the requirement for animal welfare certification or equivalent. 90% will meet this requirement by 2020 at the latest.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND	Target has been achieved for imported meat, but not Swedish meat.	
Private label organic meat and charcuterie products will be certified primarily according to KRAV, and secondarily to the EU organic certification.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
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 branded products.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
Meat from pigs that are castrated without anaesthetics will be discontinued from Axfood's private label products by 2020.		12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND	Target achieved except for meat and charcuterie products from Germany.	
Axfood's private label products will include information on the country of origin of meat ingredients.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
By 2020 at the latest, Axfood's private label products will include information about the main ingredients' country of origin in all categories with certain exceptions, such as composites without a clear primary ingredient.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
All primary ingredients in the Garant, Dazzley and Eldorado assortments of cacao, tea and coffee will be certified according to some form of sustainability certification. Garant products preferably according to Fairtrade, Fairtrade's ingredient programme, or Rainforest Alliance; Eldorado and Dazzley through Fairtrade's ingredient programme or UTZ/Rainforest Alliance.	 	1 END POVERTY 8 ECONOMIC GROWTH 15 LIFE ON LAND		
Hemköp's retailer-owned stores will abide by sustainability decisions like the Group-owned stores.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 14 LIFE BELOW WATER 15 LIFE ON LAND		
Willys will continue to offer the cheapest bag of organic groceries.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND		
Snabbgross will devise an action plan to reduce food waste, with special focus on restaurant customers.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		
Axfood will increase sales of frozen products.	  	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 15 LIFE ON LAND		



## Sustainability programme

● Achieved ● In progress ● Target not achieved

Targets	Coupling to Sweden's Environmental Objectives	Coupling to the UN's Sustainable Development Goals	Results and comments	Status
<b>Environment</b>				
Axfood will have net zero emissions from its own operations by 2030 at the latest.				
The Axfood Group will reduce the carbon footprint of its own operations by 75% by 2020 and be climate-neutral.				
Dagab's vehicle fleet will be differentiated step-by-step to include more environment-friendly solutions such as electricity, electric hybrids, biogas, ED95 and other sustainably produced biofuels. By 2025 at the latest, no vehicle type will make up more than half of the fleet.				
Dagab will reduce CO <sub>2</sub> emissions from its own delivery fleet by 20% by 2020 (base year 2015).			In earlier years, CO <sub>2</sub> emissions decreased by more than 20% when Axfood used larger amounts of HVO as fuel. However, to avoid using oil palm derivatives in fuel, Axfood temporarily reverted to conventional diesel while looking into alternative fuels.	
The Axfood Group will reduce its electricity consumption by 15% per square metre by the end of 2020 (base year 2015).			Target achieved for Hemköp and Snabbgross. New target adopted in December 2020.	
By 2020 at the latest, Dagab will reduce its electricity consumption in relation to sales by 15% (base year 2015).			Not same pace of investment for existing warehouses, since a new logistics centre is being built. New target adopted in December 2020.	
By 2025 the Axfood Group will invest in solar panels on 25% of the rooftops that have been shown to be suitable in the Group's mapping.				
Cut the number of domestic flights in half by 2025 (base year 2019).			Previously, the share of domestic travel by air had begun to decrease. However, as a result of the coronavirus pandemic, business travel decreased dramatically in 2020.	
Drafting of a plan to change over to gas, electricity or electric hybrid operation for e-commerce, to take effect in 2020.			A transition plan to gas, electricity or electric hybrid operation for e-commerce will be drafted and take effect in 2021. New target adopted in December 2020.	
Dagab will begin measuring CO <sub>2</sub> emissions also from subcontracted transports from warehouses to stores.				
By 2022 at the latest, Dagab will conduct carbon footprint reporting also for incoming transports to Dagab's warehouses.				
Employees will conduct more travel-free meetings by increasing the use of teleconferences by 5% compared with 2015 and increasing the use of web conferences by 8% compared with 2015.				
Axfood's companies will reduce the share of combustible residual products in relation to sales.			The Group's share of combustible residual products measured in relation to sales decreased compared with the preceding year.	
Reduce the total use of plastics in the Group's operations by 25% by 2025 (base year 2019).				
By 2030, plastic packaging for Axfood's private label products will be made of renewable or recycled material.				
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. By 2022 packaging for private label products will be recyclable.				
Axfood's store chains will reduce sales of plastic shopping bags by 20% by 2022 and by 50% by 2025 (base year 2016).			A tax on plastic shopping bags contributed to achievement of this target. Target removed as from December 2020.	
For investments in store refrigeration systems, climate-friendly refrigerants will be used.				
Dagab will avoid SIN-listed chemicals in products and packaging (e.g., Bisphenol A). The goal shall be achieved by 2022.			Getting complete information from suppliers is difficult. The Group is working to direct more focus on the SIN list by expanding it to become an industry-wide issue.	



## Sustainability programme

● Achieved ● In progress ● Target not achieved

Targets	Coupling to Sweden's Environmental Objectives	Coupling to the UN's Sustainable Development Goals	Results and comments	Status
Since 2009 all palm oil included in private label products has been compensated for via certificates. This offsetting will gradually be changed over to the use of certified palm oil. All palm oil used in Garant, Eldorado and Fixo private label products is today certified. By 2020 the goal is to buy certified palm oil affiliated with RSOP-Next. By 2020 at the latest, suppliers of branded products will use only certified palm oil by 2020 or, alternatively, compensate through certificates.				●
All soy used in private label products shall either be certified or compensated for via certification offsets.				●
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 single-ingredient private label products.			Work is under way to ensure that single-ingredient private label products are also certified by IP, Global Gap or other equivalent system by 2022, but the work is challenging.	●
Axfood's suppliers of fruits and vegetables will live up to Axfood's list of banned, hazardous pesticides, and Axfood will strive to make the list of banned substances an industry standard by 2020 at the latest.				●
By 2020 at the latest, all suppliers of private label products will report on climate measures yearly.			In 2020 Axfood conducted a mapping of how the Group's 50 largest suppliers of private label products are reporting their climate action. A strategy has been devised for the continued climate work among suppliers. New target adopted in December 2020.	●
For all purchases of private label products in risk countries/risk categories, the selection process for suppliers will include sustainability aspects.				●
By 2020 at the latest, Axfood will have methods for evaluating how suppliers in regions with water shortages are reducing their water footprint.			Axfood has formulated its own water routine, which will be implemented in 2021. New target adopted in December 2020.	●
By 2022 at the latest, Axfood will have integrated elevated sustainability criteria for e.g., water and for the chemical and carbon footprint of products in the procurement process.				●
Axfood shall strive to increase the share of renewable ingredients in household chemical products, such as detergent and cleaners, by gradually phasing out fossil-based ingredients where alternatives exist.				●
Customers will gradually be provided with better information about which fruit and vegetable products have been transported by air, mainly by improving packaging information.			Information is available on Axfood's website. There are challenges in conveying specific information about transports for individual products in stores.	●
Willys and Snabbgross will strive for changes in the assortment by conducting a review of the number of fruit and vegetable products that are transported by air.			Consumer information about fruit and vegetable products transported by air is provided on Axfood's website, but no direct overview of the assortment has been conducted.	●
Devise a strategy by 2020 to choose more environmentally adapted air travel (e.g., low-flying aircraft) when the alternative is available.			There are limited opportunities today to choose environmentally adapted air travel.	●
All new company cars and service cars will be changed over from being environmental cars according to the old definition to being so-called bonus cars by 2020.				●
The Axfood Group will use ecolabelled office machines (computers, printers and copying machines) when such alternatives exist.				●
When newly establishing stores and warehouses, sustainability performance with respect to energy and choice of materials shall maintain a high commercially available standard. The goal is to cut electricity use per square metre in stores by half compared with the industry average.				●
Reduce the number of local servers in stores by 50% by 2021.				●
New IT products and office machines will have 15% higher energy efficiency than the ones they replace.				●
Axfood IT will use systematic tools to ensure a sustainable supply chain for selected, existing suppliers of services, hardware and software.				●
Initiation of a project to be able to offer digital receipts in all Axfood stores (cashier receipts, bottle and can deposits, self-checkout).				●
Snabbgross will develop a communication plan focusing on sustainability for customers and employees alike.				●



## Sustainability programme

● Achieved ● In progress ● Target not achieved

Targets	Coupling to Sweden's Environmental Objectives	Coupling to the UN's Sustainable Development Goals	Results and comments	Status
<b>People</b>				
By 2020 at the latest, all relevant suppliers of private label products and their sub-suppliers will be included in an accredited social follow-up system (BSCI, SA8000, Fair for Life, SEDEX or similar) or, alternatively, be parties to collective agreements with recognized union organizations.				●
By 2020 at the latest, the living wage strategy will lead to Axfood being able to monitor the progress on ensuring living wages. The strategy applies primarily for purchases of ingredients for Axfood's private label products.			New target adopted in December 2020.	●
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 production and farming earn above the UN's poverty level.				●
Have a high work attendance rate of at least 95%.			The work attendance rate was negatively impacted by the coronavirus pandemic. New target adopted in December 2020.	●
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 all relevant suppliers (growers with guest workers) of fruits and vegetables will be certified according to IP Sigill working conditions.				●
A minimum of 75% of Axfood's managers will be recruited internally.				●
By 2020 at the latest, 20% of Axfood's leaders will come from an international background.				●
By 2020 at the latest, Axfood's initiatives in identified risk products will have improved both social and environmental conditions in three source markets.				●
All pertinent employees will have completed an activity coupled to Axfood's ethical guidelines, with focus on corruption.				●
All employees will have completed obligatory sustainability training.			New target adopted in December 2020.	●



# Corporate governance

## Contents

Chairman's message	119
Governing bodies; rules and regulations	120
The Board's report on internal control	126
Auditor's examination of the Corporate Governance Report	129
Board of Directors	130
Executive Committee	132





# Governance for long-term sustainable and profitable growth

Axfood's Board is tasked with ensuring that the Group develops and grows in a long-term sustainable and profitable manner. To create value for shareholders and other stakeholders, Axfood must work responsibly and be a driver of positive development in society. As Chairman of the Board I am particularly proud of how Axfood, during a year of global turbulence, succeeded in combining social responsibility and long-termism with development and growth.

The past year has been extraordinary, and in this time of major strain on people and societies, it has become clear what an important role the food retail industry has. With decisiveness, engagement and perseverance, Axfood has met the new challenges created by the coronavirus pandemic, and I am very impressed by the capacity to act and the vigour shown by employees throughout the organization. People and interpersonal cooperation are the most important factors for conducting successful business, and this became extra clear this year. Axfood's Board has done its utmost to support the Company's management in dealing with all the consequences of the pandemic.

## Strong driving force

Axfood is a competitive retail actor with a strong position. A changing market puts high demands on the capacity for change and the drive to constantly challenge and develop. Axfood has a strong financial position that enables the future investments required to further strengthen its competitiveness. Even though the pandemic has demanded immense internal focus, it is gratifying to see how the work on developing the Company has not let up in any way, but has rather accelerated in pace with customers' changed behaviours, including a growing preference for e-commerce. Investments are being made in many areas, not least in logistics and to meet a growing level of digitalization. During the year, the Board maintained a continued strong focus on these areas and on the Group's long-term strategy.

As Axfood is currently in an investment period, the Company will have a certain level of net debt in the years immediately ahead. At the same time, good profitability during the year enables a solid return for the shareholders, and the Board is proposing a dividend of SEK 7.50 per share to Axfood's Annual General Meeting.

## Governance with focus on value creation

With Axfood's size and reach, it can make a real difference, and it is therefore gratifying to see the progress that is being made in areas such as the climate, health and diversity. Ambitious sustainability work permeates the entire business and is a central and integral part of the Company's business model and governance.



The Board's responsibility encompasses good corporate governance and supporting Axfood's values-steered company culture. Good corporate governance ensures effective decision-making and entails that the owners take an active role. It also requires a clear division of roles and responsibilities between management and control bodies, good organizational structures involving follow-up within the internal systems and internal control over financial reporting, and finally also transparency towards the owners and capital market. During the year an Audit Committee was established within the Board that focuses on the Company's financial matters and will also strengthen the Company's audit process.

Every year an evaluation is performed of the Board's work. The results of the past year's evaluation were once again very positive and show that the Board's work is distinguished by knowledge, transparency and openness.

Axfood's stakeholders must feel secure that the Board is administering the Company's affairs in the best way and ensuring the conditions for long-term sustainable value creation.

I want to extend great thanks to you, our shareholders, for your confidence and support for the Axfood Group's continued journey, and also great thanks to all of Axfood's employees for a superb effort during an extraordinary year.

Stockholm, February 2021

Mia Brunell Livfors  
Chairman of the Board

# Overarching corporate governance structure – governing bodies, rules and regulations

## Introduction

Axfood AB (publ.) ("Axfood") is a Swedish, public stock corporation domiciled in Stockholm. Axfood's shares have been traded on Nasdaq Stockholm since 1997.

This Corporate Governance Report has been reviewed by the Company's auditor, Deloitte, and the result of this audit is described in the auditor's examination statement on page 129 of this Annual and Sustainability Report.

## Governance instruments

Corporate governance at Axfood is regulated by principles laid out in both external and internal rules and regulations.

External rules and regulations include relevant laws and statutes (e.g., the Swedish Companies Act, the Swedish Annual Accounts Act, the EU's Market Abuse Regulation and IFRS), the stock exchange rules in the regulated market in which the Company's shares are available for trading (Nordic Main Market Rulebook for Issuers of Shares), and the Swedish Corporate Governance Code ("the Code").

Internal rules and regulations include the Company's Articles of Association and the governance instruments adopted by the Company (mainly the Board's Rules of Procedure as well as internal instructions, policies and guidelines).

Follow-up of internal rules and regulations is done yearly, and they are revised as necessary.

## Sustainability governance

Axfood's sustainability work is an integral part of the Company's business model and governance. The foundation for this work is the Company's sustainability programme, which is described on pages 113-117.

## Swedish Corporate Governance Code

Axfood applies the Swedish Corporate Governance Code with the following departure:

### *Departure from rule 2.4, second sentence*

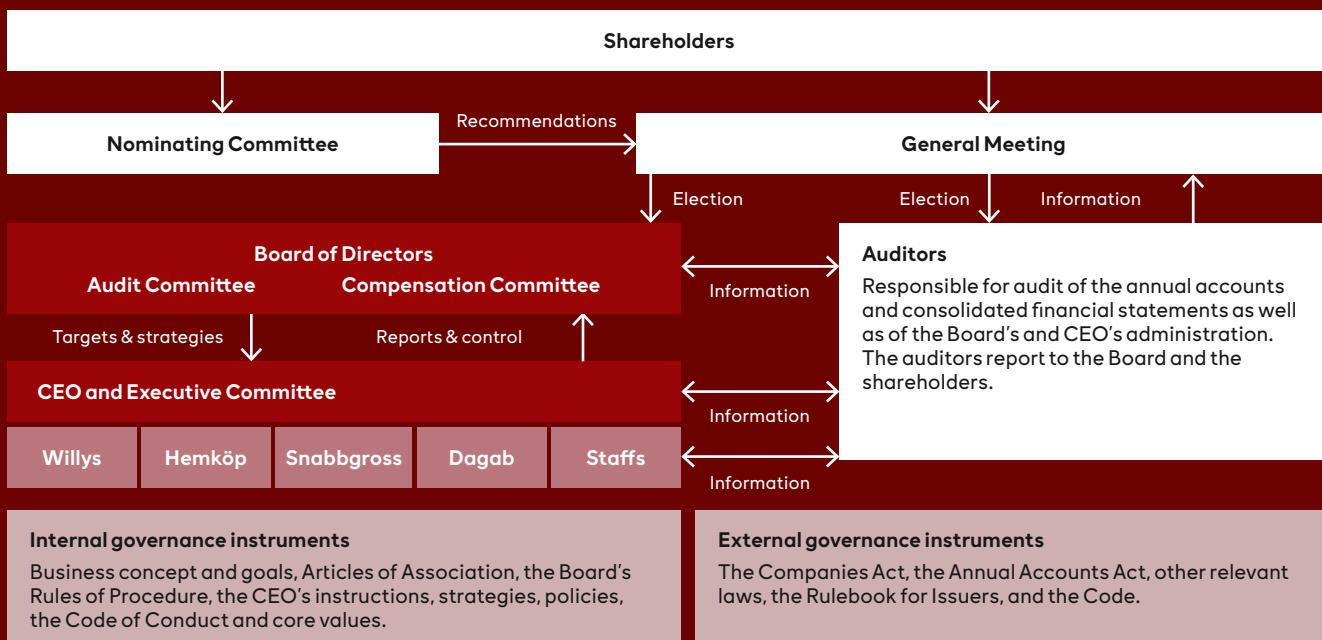
According to the Code, a board member shall not serve as chair on a company's nominating committee. In 2020 Board member Caroline Berg served as chair of the Nominating Committee.

### *Explanation:*

Caroline Berg is Chairman of the Board of Axel Johnson AB, which controls the majority of the shares in Axfood. Caroline Berg is Axel Johnson's appointed representative on the Nominating Committee, and in view of this ownership position, it is natural that she serve as chair of the committee.

## Governance model

Decision-making and control of the Company is exercised by the shareholders, the Board of Directors, the CEO and the auditors in accordance with the Companies Act.





### Shareholders and shares

Axfood's shares were listed on the Stockholm Stock Exchange in 1997 and have been traded on Nasdaq Stockholm's Large Cap list since October 2006. The Company has 209,870,712 shares outstanding.

All shares have equal voting power and equal entitlement to the Company's profit. Provided that notification has been made to attend the Annual General Meeting in due order, every shareholder has the right to vote for all owned, directly registered and represented shares.

There are no stipulations in Axfood AB's Articles of Association that restrict a shareholder's right to transfer shares.

As per 31 December 2020 Axfood had 80,342 shareholders. The largest single shareholder since the Company's stock market introduction has been the Axel Johnson Group, which controlled 50.1% of the shares and votes in the Company as per 31 December 2020 (unchanged since 2019).

During the year Axfood repurchased a total of 258,000 shares through a share repurchase programme to secure delivery of shares coupled to Axfood's share-based incentive programme and thereby owns a total of 672,108 treasury shares. The number of shares outstanding thereby amounts to 209,198,604.

Axfood's employees own no shares for which the voting rights cannot be exercised directly by the employees (such as through pension foundations or similar). For further information on Axfood's shares and shareholders, see pages 136–137.

### General meeting

The general meeting is Axfood's highest decision-making body, where the shareholders exercise their right to decide on the Company's affairs.

The Annual General Meeting (AGM) resolves on, among other things, election of board members and the Chairman of the Board, adoption of the Parent Company's and consolidated income statements and balance sheets, discharge from liability of the board members and President, disposition of the Company's profit, and election of auditors (when applicable). No restrictions on shareholders' rights are stipulated in Axfood's Articles of Association nor – to the Company's knowledge – in shareholder agreements.

### Annual General Meeting 2020

The Annual General Meeting was held in Stockholm on Wednesday, 18 March 2020. The AGM was attended by 382 shareholders representing 142,804,702 shares, corresponding to 68.23% of the number of votes in the Company.

The AGM approved the following resolutions, among others:

- Ordinary dividend of SEK 7.25 per share for the 2019 financial year, to be paid out on two occasions in accordance with the Board's proposal.
- That the Board shall consist of eight AGM-elected directors with no deputy directors.
- That directors' fees shall be payable in the following amounts:
  - SEK 725,000 for the Chairman of the Board.
  - SEK 555,000 for the Vice Chairman of the Board.
  - SEK 460,000 for each of the other AGM-elected directors, plus an additional SEK 150,000 for the chair of the Audit Committee and an additional SEK 75,000 for the other members of the Audit Committee.
  - No fees are payable for work on the Board's other committees.

- Election of the Chairman of the Board and directors in accordance with the Nominating Committee's recommendation:
  - Re-election of Mia Brunell Livfors as a director and as Chairman of the Board.
  - Re-election of directors Fabian Bengtsson, Caroline Berg, Christer Åberg, Lars Olofsson, Stina Andersson and Jesper Lien.
  - Election of Christian Luiga as a new director.
- Guidelines for appointment of the Nominating Committee, entailing that:
  - The Nomination Committee shall be composed of members of whom one each is appointed by each of the four largest shareholders in terms of votes based on ownership statistics from Euroclear Sweden AB as per the last business day in August. If any of these shareholders choose to abstain from their right to appoint a member, the next shareholder in terms of size shall be asked. However, not more than six shareholders need to be asked, if this is not required in order for the Nominating Committee to be composed of at least three members appointed by shareholders.
  - If material changes take place in the ownership structure after the Nominating Committee has been constituted, then the Nominating Committee's composition shall also be changed.
  - The Nominating Committee's composition shall be made public not later than in connection with publication of the Company's interim report for the third quarter.
- Introduction of a long-term share-based incentive programme, and in connection with this, authorization of the Board to decide on purchases of own shares and transfers of treasury shares.
- The ability for employees to purchase shares in subsidiaries.

The complete minutes of the AGM are available on the Group's website, [axfood.se](http://axfood.se).

### Nominating Committee

The Nominating Committee is tasked with submitting recommendations to the Annual General Meeting on the number of directors, the Board's composition and on directors' fees. The Nominating Committee is also tasked with submitting proposals for the person to be elected as Chairman of the Board, a chairman to preside over the AGM and, when applicable, for election of auditors and their fees.

According to the Code, a nominating committee shall have at least three members, and the majority shall be independent in relation to the company and its executive management. The Nominating Committee's work is based on the annual evalua-



tion that is performed of the Board's work, the Code's diversity policy and the company-specific needs of Axfood.

The Nominating Committee applies Rule 4.1 of the Code as its diversity policy. Axfood's board shall have a suitable composition with a diverse and broad membership with respect to the competence, experience and background of its members. To achieve this, Axfood's board shall have depth of knowledge about Axfood's business, and extensive and broad experience in food retail, both physical and digital. In other respects, the Board shall have such competencies needed to direct Axfood's strategic work in a responsible and successful manner. Through its proposals the Nominating Committee also aims to achieve the most even balance possible of men and women.

The Nominating Committee's recommendations are presented in the AGM notice. A reasoned statement explaining the Nominating Committee's recommendations on the Board's composition is posted on Axfood's website in connection with publication of the AGM notice.

All shareholders have the right to submit proposals to the Nominating Committee by email at the address valberedning@axfood.se.

#### *Nominating Committee ahead of the 2021 Annual General Meeting*

A Nominating Committee was appointed in September 2020. Subsequent to this, changes took place in Axfood's ownership structure that necessitated adjustments to the Nominating Committee's composition. The owners that are represented on the Nominating Committee, based on the ownership structure as per 30 October 2020, are Axel Johnson, SEB Fonder, Nordea Funds and Handelsbanken Fonder.

In addition, Axfood's Chairman, Mia Brunell Livfors, serves as a co-opted member of the Nominating Committee.

All members of the committee are considered to be independent in relation to the Company and the Executive Committee.

Ahead of the 2021 AGM the Nominating Committee held four meetings and also maintained regular contact. No fees have been paid to the members for their work on the Nominating Committee.

#### **Nominating Committee's composition**

Name	Representing	Share of votes as per 30/10/2020, %
Caroline Berg	Axel Johnson AB, committee chair	50.1
Martin Gärtner	SEB Fonder	1.7
Jan Särlvik	Nordea Funds	1.4
Sussi Kvart	Handelsbanken Fonder	1.4

#### **Board of Directors**

According to the Articles of Association, Axfood's board shall consist of a minimum of three and maximum of ten directors elected by a general meeting of shareholders with a maximum of two deputy directors. Election of directors takes place yearly at the Annual General Meeting. The Articles of Association do not contain any other stipulations on the appointment or dismissal of board members.

The Board is responsible for ensuring that the Company's organization is suited for its purpose and that operations are conducted in accordance with the Articles of Association, the Companies Act and other applicable laws and regulations.

The Board shall conduct its board work jointly under the direction of the Chairman. Each year the Board adopts its Rules of Procedure, which lay out the Board's work and regulate the Board's and directors' internal division of duties and the decision-making process within the Board. The Rules of Procedure also regulate the Board's meeting schedule, summonses to board meetings, agendas and minutes of board meetings, and the Board's work with accounting, auditing and compensation matters. In addition, the Rules of Procedure stipulate how the Board is to be provided with information and documentation as a basis for its work so as to be able to make well-grounded decisions.

A statutory meeting is held immediately after the AGM. Thereafter the Board is to hold at least four meetings per calendar year. Each of the regular board meetings follows a set agenda that is stipulated in the Board's Rules of Procedure and includes such points as the CEO's report, financial reports, investments and strategic matters. Prior to board meetings the directors are provided with written material on the items of business to be dealt with at the respective meeting.

The Board also adopts a yearly instruction for the CEO.

#### *The Board's composition*

Since the 2020 Annual General Meeting Axfood's board has been composed of eight AGM-elected directors with no deputies. In addition, three directors and three deputy directors are appointed by the employees. Each of the directors has important competencies and experience for Axfood that amply cover the areas considered to be important for the Company. The Board also has good breadth from a diversity perspective. Of the AGM-elected directors, three are women. The Board's members have a wide range of ages and a breadth and depth of experience in relevant areas. A more detailed presentation of the board members is provided on pages 130-131.

Axfood's President, Klas Balkow, is not a board member, but participates at board meetings in a reporting role, as does Anders Lexmon, Axfood's Chief Financial Officer, and Axfood's General Counsel, Sandra Bränstad, who also serves as secretary to the Board.

At the statutory board meeting on 18 March 2020, Lars Olofsson was elected as Vice Chairman of the Board.



#### Directors' independence

According to the Code, a majority of directors elected by a general meeting of shareholders shall be independent in relation to the company and the company's executive management. At least two of these shall also be independent in relation to the company's major shareholders. All of Axfood's AGM-elected directors have been determined to be independent in relation to the Company and the Executive Committee, and five of the directors, Lars Olofsson, Fabian Bengtsson, Jesper Lien, Christer Åberg and Christian Luiga, have been determined to have met the requirement for independence in relation to the major shareholders. Three directors have been determined as being non-independent in relation to the Company's major shareholders: Mia Brunell Livfors, who is President and CEO of Axfood's largest shareholder, Axel Johnson; Caroline Berg, who is Chairman of the Board of Axel Johnson; and Stina Andersson, who is COO of Axel Johnson.

#### The Board's work during 2020

The Board held ten meetings in 2020, of which two were held per capsulam (to adopt the Annual Report and to decide on a one-time bonus for all employees) and one was the statutory meeting held immediately after the AGM. The CEO's status report is a standing agenda item at every regular board meeting, as is follow-up of earnings performance as well as matters concerning investments and establishments. Interim reports are addressed quarterly.

At the board meeting in February, matters ahead of the AGM were addressed. The Annual Report was adopted at a per capsulam meeting later in February. At the board meeting in April, the Board adopted its Rules of Procedures, the Audit Committee and Compensation Committee were appointed, and the Board adopted the credit and finance policy, the investment policy and the communication policy.

In June a strategy meeting was held. Strategy work thereafter continued in subsidiaries and in the Executive Committee, after which the Board in December adopted a business plan for 2021. Other important matters pertaining to the Company's business during the year included the handling, effects and lesson learned from the coronavirus pandemic, e-commerce business, Snabbgross's opening of a new concept (Snabbgross Club), and the future logistics structure.

The Company's auditors attended the first board meeting of the year to report on their audit of the annual accounts for the 2019 financial year. They also attended the year's last meeting to inform on planning ahead of 2021 and to report on their continuing audit.

The Board addressed the report from the auditors and reviewed the Company's internal control and compliance, and performed the annual evaluation of the Board. In addition, the Board's committees submitted reports from their meetings at board meetings. The Board's work during the year is further described in the illustration.





#### Compensation Committee

The Board has appointed a compensation committee from among its members to deal with compensation matters more in-depth. The Compensation Committee is tasked with, among other things, setting salaries, variable compensation and other terms of employment for all members of Axfood's Executive Committee except for the President, whose terms are decided on by the Board as a whole based on a recommendation by the Compensation Committee.

The Compensation Committee is responsible for monitoring and evaluating application of the guidelines for compensation of senior executives adopted by the Annual General Meeting. The Compensation Committee is also responsible for drafting recommendations for any share-based incentive programmes, deciding who shall be invited to participate in these and making recommendations to the Board on decisions to grant shares in such incentive programmes.

At the start of every year the Compensation Committee sets the targets that are to apply for variable compensation for members of the Executive Committee. The committee is also tasked with monitoring and evaluating variable compensation programmes for senior executives.

During 2020 the members of the Compensation Committee were Mia Brunell Livfors (committee chair), Caroline Berg and Lars Olofsson. Axfood's President and CEO, Klas Balkow, is a co-opted member of the Compensation Committee, and Axfood's Head of Human Resources, Monica Längbo, is committee secretary. During the year the committee dealt with proposed guidelines for compensation of senior executives as well as terms and the outcome of variable compensation programmes for senior executives in the Group. The Compensation Committee also drafted a recommendation for the Board to introduce an additional long-term share-based incentive programme for key persons in Axfood. The Compensation Committee held five meetings in 2020, of which two were held

per capsulam. No fees have been paid to committee members for their work on the committee.

#### Audit Committee

At the statutory board meeting in March 2020 an audit committee was established, which is tasked with, among other things, monitoring the efficiency in internal control and the risk management system with respect to financial reporting, and – together with the Executive Committee and the auditors – monitoring and evaluating the handling of complex accounting and valuation matters. The Audit Committee is also tasked with monitoring the financial reporting as well as examination and evaluation of the external audit and the impartiality, independence, and performance of the auditor.

The Company's auditors attend the Audit Committee's meetings, whereby the committee is informed about the focus and scope of the audit and views of the Group's risks. The Audit Committee's assignment also includes setting guidelines for any other services than the audit that the Group may procure from the Company's auditor as well as monitoring the Group's work with internal control.

Since 18 March 2020 the Audit Committee's members have been Christian Luiga (committee chair), Stina Andersson and Christer Åberg. Axfood's President and CEO, Klas Balkow, and Axfood's Chief Financial Officer, Anders Lexmon, are co-opted members of the Audit Committee, and Axfood's Head of Group Accounting, Catarina Forsgren, is committee secretary. During the year the committee dealt with proposed revisions of the finance and credit policy and investment policy. In addition, the committee reviewed the Group's work with risks and internal control. The Audit Committee held four meetings in 2020. The committee's members were paid a fee in accordance with the AGM's resolution for work on the Audit Committee.

#### Composition of the Board of Directors

Name	Year elected	Independent	Compensation Committee	Audit Committee	Meeting attendance		
					Board	Compensation Committee	Audit Committee
Mia Brunell Livfors (Chairman)	2016	No	Yes	–	10/10	5/5	–
Lars Olofsson (Vice Chairman)	2013	Yes	Yes	–	10/10	5/5	–
Stina Andersson	2018	No	–	Yes	10/10	–	4/4
Fabian Bengtsson	2016	Yes	–	–	10/10	–	–
Caroline Berg	2014	No	Yes	–	10/10	5/5	–
Jesper Lien	2018	Yes	–	–	10/10	–	–
Christian Luiga	2020	Yes	–	Yes	6/8	–	4/4
Christer Åberg	2017	Yes	–	Yes	9/10	–	4/4
Anders Helsing (Employee representative)	–	–	–	–	10/10	–	–
Michael Sjörén (Employee representative)	–	–	–	–	10/10	–	–
Lars Östberg (Employee representative)	–	–	–	–	10/10	–	–
<b>Total</b>							

For information on directors' fees for 2020, see Note 8.



#### *Evaluation of the Board's work*

The Chairman of the Board is responsible for conducting an evaluation of the Board's work by soliciting the directors' views on how the board work is conducted and what measures can be taken to improve the effectiveness of the Board's work. The evaluation also serves as important documentation for the Nominating Committee's work ahead of the AGM.

In 2020 the Chairman of the Board conducted a digital survey for all of the board members. The results, which showed high scores in all categories, indicate that there is a clear strategy and well-considered financial targets with a clear coupling to the Group's business plan against which operations are followed up. They also indicate a high level of engagement among the Company's board members. The results of this evaluation were reported to the Nominating Committee in November 2020 and for the Board in December 2020.

#### **Auditors**

The auditors are elected by the AGM based on a recommendation by the Nominating Committee and are elected for a period of two years. The accounting firm Deloitte AB was re-elected by the 2020 AGM for a term until the 2022 AGM.

Services provided by the auditor aside from its audit assignment shall only be provided in a scope that is compatible with the rules of the Auditors Act and FAR's professional ethics rules regarding auditors' impartiality and independence.

Hans Warén, Authorized Public Accountant and Chairman of Deloitte in Sweden, is chief auditor. In addition to his assignment with Axfood, he is chief auditor for Castellum, Lindab, Trelleborg and Industrivärden.

#### **Executive Committee**

The Executive Committee is made up of Axfood's President (who is also the Chief Executive Officer), four managing directors of subsidiaries that conduct business activities and five heads of staff. During 2020, Simone Margulies joined the Executive Committee as Managing Director Hemköpshedjan and Karin Hedlund joined the Executive Committee as Head of IT.

The Executive Committee holds monthly meetings to address continuing matters and for discussions, and at least one yearly strategy meeting. The store establishment and financing committee that is tied to the Executive Committee also meets once a month to address permitting and decision matters concerning store investments, sales of stores, new leases and renewals of existing leases.

A yearly business plan is adopted by Axfood's board at the end of the year after being drafted by subsidiaries and the Executive Committee during the last four months of the year. The work on the business plan thereby involves employees from several levels within the Group. The business plan is followed up on a regular basis during the year and is thus a dynamic planning document.

The subsidiaries are governed by their respective boards. Axfood's President and CEO serves as chairman of the larger subsidiaries' boards. The other directors on the subsidiaries' boards consist of various representatives from the Executive Committee as well as a number of other Group executives. The

subsidiaries hold board meetings on a regular basis, and the larger subsidiaries hold at least four regular board meetings a year.

A more detailed presentation of the Executive Committee is provided on pages 132-133.

#### **Guidelines for compensation of senior executives**

The guidelines for compensation of senior executives of Axfood were adopted by the Annual General Meeting on 18 March 2020, based on a recommendation by the Board of Directors and are to apply not longer than until the 2024 Annual General Meeting.

The guidelines cover the President and CEO of Axfood and members of the Executive Committee, who report directly to the CEO. The guidelines do not cover compensation decided on by the Annual General Meeting, such as directors' fees or share-based incentive programmes, for example. The guidelines are to be applied for compensation that is agreed upon – and changes made to already agreed-upon compensation – after the guidelines were adopted by the 2020 Annual General Meeting.

The guidelines govern the decisions on compensation that are made by the Board's Compensation Committee with respect to senior executives who report directly to the CEO and by the Board as a whole with respect to the CEO.

Axfood shall offer compensation that is in line with the going rate in the market and that is based on factors such as the importance of the work duties and the executive's expertise, experience and performance. Compensation may consist of a fixed base salary, short-term variable compensation, pension benefits, insurance and other benefits. In addition, a general meeting of shareholders may – and independent of these guidelines – decide on share-based and share price-related compensation.

For a complete account of the adopted guidelines, see Note 8 on page 60.

Every AGM since 2017 have resolved to introduce long-term incentive programmes covering long-term variable compensation for the participants.

Short-term variable compensation is expensed during the financial year and is paid out after the Annual General Meeting has adopted the income statement and balance sheet. The guidelines adopted by the 2020 AGM have been followed, and all previously decided compensation not yet paid out is within the framework described above.

#### **The Board's proposal for new guidelines for compensation of members of the Executive Committee**

Ahead of the 2021 AGM, no major changes are proposed in the principles for compensation and other terms of employment for members of the Executive Committee. For a complete account of the proposed guidelines, see Note 8 on page 60.



# The Board's report on internal control

According to the Swedish Companies Act, the Board is responsible for ensuring that the Company's organization is designed in such way so as to ensure satisfactory control of the book-keeping, treasury management and of the Company's financial conditions in general. The Swedish Corporate Governance Code (the Code) clarifies this and prescribes that the Board is responsible for internal control. This description is limited to internal control over financial reporting in accordance with point 7.4 of the Code. Neither the documented organization of internal control nor the content in the respective areas is to be viewed as being static; rather, these are continuously adapted to Axfood's operations and external environment. The report has been reviewed by the Company's auditor.

Axfood's Chief Financial Officer has ultimate responsibility for ensuring that monitoring and work with Axfood's internal control are conducted in accordance with the method decided on by the Board. A steering committee under the direction of the Chief Financial Officer leads the Group's work with internal control over financial reporting. This steering committee reports its conclusions to the Board on a regular basis. Major emphasis is put on adapting the work with internal control to changes in Axfood's business.

Axfood's internal control structure is based on the COSO model, whose framework has been applied to Axfood's business and conditions. According to the COSO model, a review and assessment are performed in the areas of the control environment, risk assessment, control activities, information and communication, and monitoring activities. Based on this review, certain development areas are identified and assigned priority in the ongoing internal control activities.



## Control environment

The control environment is the foundation of internal control over financial reporting. An important part of the control environment entails ensuring that decision-making channels, authorizations and responsibilities are clearly defined and communicated between the various levels of the organization and that governing documents such as internal policies, handbooks, guidelines and manuals are on hand. Axfood's board has established clear work processes and Rules of Procedure for its work and the work of its committees. Specifically for financial reporting, the Board has established an Audit Committee. An important part of the Board's work involves drawing up and approving various fundamental policies, guidelines and frameworks. These include the Board's Rules of Procedure, the CEO's instruction, the investment policy, the finance and credit policy, and the communication policy. In addition to these, Axfood applies other policies and guidelines, such as the Group's decision-making process, the information security policy, the Code of Conduct, ethical guidelines, the employee manual and the sustainability programme. The aim of these policies is to create a foundation for good internal control and to achieve and maintain a high standard of ethics in the Group. In addition, the Board has ensured that the organizational structure lays out clear roles, responsibility and processes that promote the effective management of risks in the business and enable goal achievement. As part of the responsibility structure, the Board evaluates business performance and results using a specially designed report package covering outcomes, forecasts, business plans, strategic plans, monitoring of financial risks and analyses of important key performance indicators.

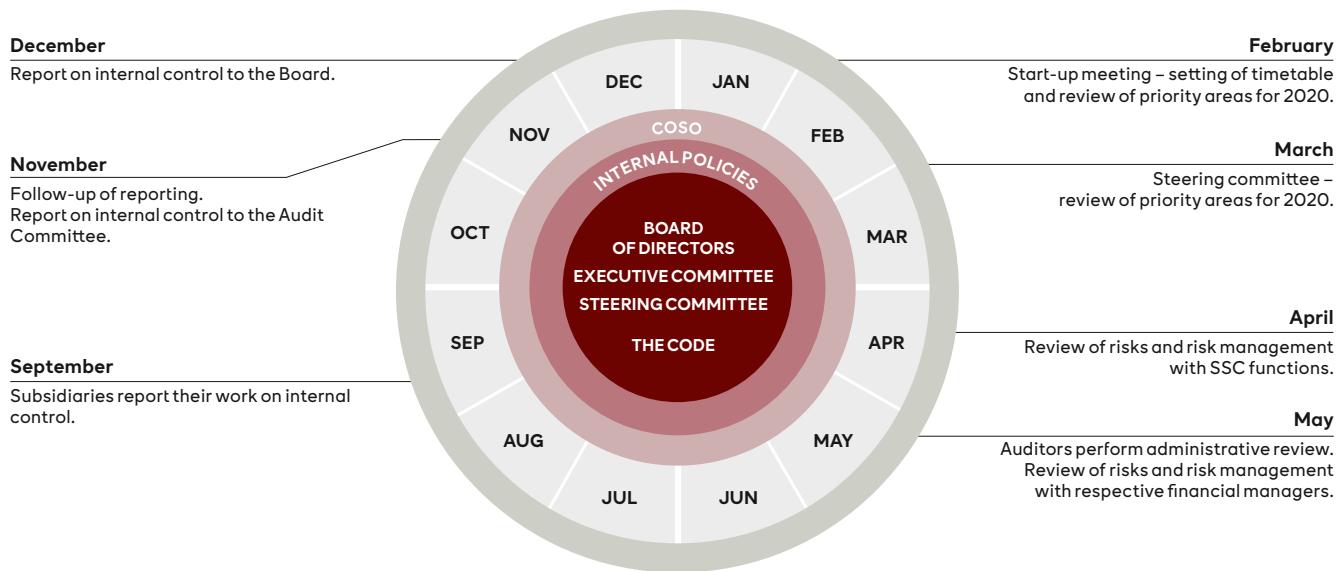
As part of the work on strengthening internal control, Axfood compiles governance documents in an electronic financial manual (Axekon), which is accessible for all employees within the Group. The financial manual provides an overview of existing policies, rules and routines that affect the content and quality of financial reporting. Axekon also includes links to other areas, such as security/insurance, HR/personnel and IT.

## Risk assessment

Axfood continuously updates its risk analysis pertaining to the assessment of risks that could lead to errors in financial reporting. As a result of its annual review, the Board makes decisions on which risks are essential to take into account in order to ensure satisfactory internal control over financial reporting. In the course of its risk reviews, Axfood identifies numerous items in the financial statements, as well as administrative flows and processes, where there is an elevated risk for errors. Risks are addressed, assessed and reported by Axfood centrally in cooperation with the Group companies. In addition, risks are addressed in special forums, such as in questions raised by Axfood's establishment and financing committee in connection with store establishment and acquisitions.



## Internal control process



### Control activities

The Group's control structure is designed to manage the risks that the Board considers to be of material importance for internal control over financial reporting. Within Axfood these control structures consist of an organization with clear roles that enable the effective and suitable delegation of responsibility from an internal control perspective as well as specific control activities that are designed to discover or prevent risks for errors in the reporting in a timely fashion. Examples of control activities include clear decision-making processes and procedures for important decisions, performance analyses and other control activities within the significant processes. Examples of control activities in these processes are analytical reviews, spot checks, inventory counts, reconciliations and reviews of undertakings. Process reviews are conducted with the functions in Axfood's Shared Services Centre (SSC), and also of individual companies at the subsidiary level.

### Information and communication

Axfood's governance documents in the form of policies, guidelines and manuals, to the extent they pertain to financial reporting, are conveyed primarily via the Group's intranet and

the Group's financial manual. The financial manual is posted on the Group's intranet and is updated on a continuous basis based on changes in external requirements and changes in Axfood's business that require clarification and instructions. A project to modernize the financial manual is underway. Communication also takes place in connection with monthly book-closing meetings attended by all subsidiary financial managers. The Group CFO works on a continuing basis with the financial managers of all subsidiaries on matters related to risk analyses and control activities. Joint reviews are also conducted of the continuous updates that are made of the financial manual. For communication with internal and external parties, Axfood adheres to a communication policy that stipulates guidelines for how such communication should take place. The purpose of the policy is to provide assurances that all information obligations are met in a correct and complete manner. Internal communication aims to ensure that every employee understands Axfood's values and business. To achieve the objective of having informed employees, active work is conducted internally in which information is communicated on a regular basis via the Group's intranet. Within the framework of internal control activities, Axfood works continuously on improving information security.

**Monitoring**

Axfood's finance functions are integrated through a joint finance and accounting system and joint accounting instructions. The Board and Executive Committee receive information on a regular basis about the Group's results of operations, financial position and business development. The Audit Committee is responsible for the preparation of the Board's work to quality assure the Group's financial reporting. The internal control work provides support to the Board and management in assessing and reviewing critical risk areas in the financial reporting, so that they can thereafter decide which efforts and follow-up initiatives to employ in selected areas. Further, the Group has a central risk management function that works through the companies. Axfood has no internal audit function, since the functions described above fulfil this role. However, Axfood does have a defined process for evaluating and monitoring internal control. The method of monitoring is decided on by the Board, which also conducts a yearly evaluation of the need of a separate internal audit function.

Stockholm 18 February 2021

*The Board of Directors of Axfood AB*

**Governing documents**

- Articles of Association
- Code of Conduct
- Information from previous AGMs, starting in 2001 (notices, minutes, resolutions)
- Information on the Nominating Committee
- Information on principles for compensation of senior executives
- The Board's evaluation of guidelines for variable compensation programmes
- Reports on variable compensation systems
- Corporate governance reports starting in 2005
- Information ahead of the 2021 AGM

*Further information can be found at on the Group's website, [axfood.se](http://axfood.se).*



# The auditor's examination of the corporate governance report

To the general meeting of the shareholders of Axfood AB (publ)  
corporate identity number 556542-0824

## Engagement and responsibility

The Board of Directors is responsible for that the corporate governance report of the fiscal year 2020-01-01 – 2020-12-31 has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinion

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 18 February 2021

Deloitte AB

Hans Warén

*Authorized Public Accountant*



# Board of Directors





## Board of Directors

**1. Mia Brunell Livfors**

**Born:** 1965. Chairman of the Board and director since 2016. President and CEO of Axel Johnson. **Chairman:** Axel Johnson International, Dustin Group and Kicks Kosmetikkedjan. **Director:** AxSol, Efva Attling Stockholm, Martin & Servera, Stena and Åhléns. **Education:** Economics studies, Stockholm University. **Professional experience:** Former President and CEO of Kinnevik, many years of experience from board work with listed Swedish companies. **Committee membership:** Compensation Committee. **Shareholding in Axfod:** 0 shares Independent in relation to the Company and executive management. Non-independent in relation to major shareholders of the Company.

**2. Lars Olofsson**

**Born:** 1951. Director since 2013 and Vice Chairman since 2014. **Vice Chairman:** Smart Eye. **Education:** B. Sc. Business and Economics, Lund University, studies at IMD in Switzerland. **Professional experience:** President and Chairman of the Board of Carrefour S.A., Vice President of Nestlé S.A. **Committee membership:** Compensation Committee. **Shareholding in Axfod:** 8,000 shares Independent in relation to the Company and executive management, and to major shareholders of the Company.

**3. Stina Andersson**

**Born:** 1983. Director since 2018. COO of Axel Johnson. **Chairman:** Åhléns and AxSol. **Director:** Axel Johnson International, Dustin Group, Kicks Kosmetikkedjan, Skincity and Novax. **Education:** M. Sc. Business and Economics, Stockholm School of Economics; CEMS Master's in International Management, HEC Paris and Stockholm School of Economics. **Professional experience:** EVP Strategy and Business Development and responsible for Tele2 IoT; Investment Director and Head of Strategy for Kinnevik; many years of experience from e-commerce companies; management consultant, McKinsey. **Committee membership:** Audit Committee. **Shareholding in Axfod:** 0 shares Independent in relation to the Company and executive management. Non-independent in relation to major shareholders of the Company.

**4. Fabian Bengtsson**

**Born:** 1972. Director since 2016. CEO of SIBA Fastigheter. **Chairman:** SIBA Invest and Företagarnas Riksstyrelse. **Director:** Nettonet, Översta Förmedlingsbolaget AB, Tipser, Irootfor and Strawbees. **Education:** B. Sc. Business and Economics, Lund University. **Professional experience:** Long record of experience in retail and digital trade, including as CEO of the SIBA Group, Chairman of Nettonet, and as a director/Chairman of CE-Konsumentelektronikbranschen. **Shareholding in Axfod:** 7,050 shares Independent in relation to the Company and executive management, and to major shareholders of the Company.

**5. Caroline Berg**

**Born:** 1968. Director since 2014. **Chairman:** Axel Johnson, Martin & Servera, the Erik and Göran Ennerfelt Foundation for International Studies for Young Swedes and The Global Village foundation. **Vice Chairman:** Nordstjernan. **Director:** The Axel and Margaret Ax:son Johnson Foundation, Axfast, Novax, and the Future Work Forum. **Education:** BA Media and Psychology, Middlebury College, USA. **Professional experience:** Active in the family-owned Axel Johnson Group since 2005, most recently as Vice President, Human Resources and Communication at Axel Johnson and member of the management team. **Committee membership:** Compensation Committee. **Shareholding in Axfod:** 15,840 shares Independent in relation to the Company and executive management. Non-independent in relation to major shareholders of the Company.

**6. Jesper Lien**

**Born:** 1969. Director since 2018. Chief Product Officer, Plantasjen AS. **Education:** Engineer, Technical University of Denmark; Business Administration (financial management), Copenhagen Business School. **Professional experience:** CEO and other leading positions in Coop Denmark, with many years of experience from the retail, digital and food retail trade, including as CCO of the do-it-yourself chain B&Q and operating partner of Aurelius Investment Group. CEO of Isabella Ohlson ApS. **Shareholding in Axfod:** 0 shares Independent in relation to the Company and executive management, and to major shareholders of the Company.

**7. Christian Luiga**

**Born:** 1968. Director since 2020. Executive Vice President and CFO, Saab AB. **Education:** Economics studies, Stockholm University. **Professional experience:** Executive Vice President, CFO and Head of Corporate Control at Telia Company, CFO of Teleca and Framfab. **Committee membership:** Audit Committee. **Shareholding in Axfod:** 2,100 shares Independent in relation to the Company and executive management, and to major shareholders of the Company.

**8. Christer Åberg**

**Born:** 1966. Director since 2017. **Chairman:** Apoex, Kappa BioScience AS and Zoo.se. **Vice Chairman:** Plantasjen AS. **Education:** IHM Business School Stockholm. **Professional experience:** President and CEO of Food Folks AS/McDonald's Nordic; President and CEO Hilding Anders International; CEO Orkla Confectionery & Snacks; CEO Arla Foods; CEO Atria Scandinavia; various positions at Unilever. **Committee membership:** Audit Committee. **Shareholding in Axfod:** 4,800 shares Independent in relation to the Company and executive management, and to major shareholders of the Company.

**9. Anders Helsing**

**Born:** 1966. Employee representative, Director since 2016. **Other assignments:** Employee representative on the board of directors of Axel Johnson and Axfod IT. **Professional experience:** Axfod employee since 1998. **Shareholding in Axfod:** 59 shares Non-independent in relation to the Company and executive management.

**10. Michael Sjörén**

**Born:** 1960. Employee representative, Director since 2010. **Other assignments:** Employee representative on the board of directors of Snabbgross and Dagab. **Professional experience:** Axfod Group employee since 1995. **Shareholding in Axfod:** 0 shares Non-independent in relation to the Company and executive management.

**11. Lars Östberg**

**Born:** 1968. Employee representative, Director 2009–2011 and since 2016. **Other assignments:** Employee representative for Willys. **Professional experience:** Willys employee since 2002. **Shareholding in Axfod:** 0 shares Non-independent in relation to the Company and executive management.

All shareholdings reported as per 31 December 2020.



# Executive Committee





## Executive Committee

**1. Klas Balkow**

President and CEO, Axfood  
Born: 1965.  
Member of Axfood's Executive Committee since 2017.  
*Axfood employee since:* 2017  
*Other assignments:* Chairman, Swedish Food Retailers Federation; Vice Chairman, Swedish Trade Federation; Director, Confederation of Swedish Enterprise.  
*Education:* Secondary School Engineering, SSE Executive Education.  
*Professional experience:* CEO, Clas Ohlson; CEO, Aximage (previously a business area in Axel Johnson); senior positions with Procter & Gamble in the Nordic countries and the USA; and Bredbandsbolaget.  
*Shareholding in Axfood:* 20,000 shares

**2. Thomas Evertsson**

Managing Director, Willys  
Born: 1964.  
Member of Axfood's Executive Committee since 2008.  
*Axfood employee since:* 2008  
*Other assignments:* Chairman, Eurocash Food AB and Best Transport AB. Director of Jula AB.  
*Education:* M. Sc. Econ., School of Business, Economics and Law at the University of Gothenburg.  
*Professional experience:* Hypermarket Manager, Head of Chain Operations, Coop Supermarkets; President, Coop Sverige; Vice President, Coop Norden.  
*Shareholding in Axfood:* 16,000 shares

**3. Karin Hedlund**

Head of IT  
Born: 1966.  
Member of Axfood's Executive Committee since 2020.  
*Axfood employee since:* 2020  
*Education:* M. Sc. Eng., KTH Royal Institute of Technology, Stockholm.  
*Professional experience:* CIO, Lantmännen; Head of Project Delivery and Build & Deploy, Ericsson; Head of IT Development, Axfood; Senior Manager, Accenture.  
*Shareholding in Axfood:* 0 shares

**4. Sara Kraft Westrell**

Head of Corporate Communications  
Born: 1974.  
Member of Axfood's Executive Committee since 2018.  
*Axfood employee since:* 2018  
*Education:* M. Sc. Business Administration, Lund University and National University of Singapore.  
*Professional experience:* Director of Information, Clas Ohlson and Hexagon; Marketing and Communications Director, JB Education; Communications Adviser, Kreab and Brunswick.  
*Shareholding in Axfood:* 2,950 shares

**5. Anders Lexmon**

Chief Financial Officer  
Born: 1968.  
Member of Axfood's Executive Committee since 2017.  
*Axfood employee since:* 2002  
*Education:* M.Sc. Agricultural Economics and Management, Swedish University of Agricultural Sciences (SLU).  
*Professional experience:* Head of Financial Control, Axfood; Head of Group Accounting, Axfood; Head of Group Accounting, SJ; auditor, KPMG.  
*Shareholding in Axfood:* 10,000 shares

**6. Monica Längbo**

Head of Human Resources  
Born: 1963.  
Member of Axfood's Executive Committee since 2019.  
*Axfood employee since:* 2019  
*Education:* Executive MBA; secondary teaching certificate, Stockholm University; board, leadership and strategic HR courses.  
*Professional experience:* Head of HR Sweden and Denmark, HR Director & Head of Information/PR/Communication, Head of Leadership Development & Executive Recruitment, Manpower Group; Leadership and organizational consultant, own firm.  
*Shareholding in Axfood:* 2,100 shares

**7. Simone Margulies**

Managing Director, Hemköpshedjan  
Born: 1978.  
Member of Axfood's Executive Committee since 2020.  
*Axfood employee since:* 2016  
*Education:* M. Sc. Mechanical Engineering, KTH Royal Institute of Technology, Stockholm.  
*Professional experience:* Deputy Managing Director, Dagab; Business Area Manager Dagab; Business Area Manager, ICA Sweden; Analyst Manager, ICA Sweden; Supply Chain Development, ABB.  
*Shareholding in Axfood:* 1,650 shares

**8. Eva Pettersson**

Managing Director, Snabbgross  
Born: 1966.  
Member of Axfood's Executive Committee since 2014.  
*Axfood employee since:* 2004  
*Education:* M.Sc. Econ., Linköping University; studies at the University of East Anglia; management training at Novare.  
*Professional experience:* Managing Director, Axfood Närlivs; Head of Business Development, Dagab; Systems Manager, Axfood IT; food retailing consultant, Accenture.  
*Shareholding in Axfood:* 9,173 shares

**9. Nicholas Pettersson**

Managing Director, Dagab  
Born: 1976.  
Member of Axfood's Executive Committee since 2009.  
*Axfood employee since:* 2004  
*Other assignments:* Chairman of Urban Deli Holding and Hall Miba.  
*Education:* M. Sc. Econ., Växjö University.  
*Professional experience:* Managing Director, Axfood Närlivs; Market Manager, Axfood Närlivs; Business Area Head, Snabbgross; Supply Chain Manager, Svenska Shell; Business Analyst, Shell Detaljist.  
*Shareholding in Axfood:* 6,500 shares

**10. Carl Stenbeck**

Head of Strategy and Business Development  
Born: 1979.  
Member of the Executive Committee since 2018.  
*Axfood employee since:* 2018  
*Other assignments:* Director of Apohem.  
*Education:* M. Sc., Chalmers University of Technology; M.Sc., School of Business, Economics and Law at the University of Gothenburg.  
*Professional experience:* Global Head of Digital Development, H&M; management consultant, Boston Consulting Group and Accenture; Programme Manager, Papyrus.  
*Shareholding in Axfood:* 2,950 shares

Simone Margulies, Managing Director Hemköpshedjan, succeeded Thomas Gåreskog in February 2020.

Karin Hedlund, Head of IT, succeeded Jan Lindmark in November 2020.

All shareholdings reported as per 31 December 2020.

# Financial key ratio definitions

In addition to the financial key ratios prepared in accordance with IFRS Axfod presents financial key ratios that are not defined by IFRS nor the Annual Accounts Act, so-called Alternative Performance Measures. The APMs aim to provide supplementary information that contributes to analysing Axfod's operations and development. The APMs used are considered generally accepted in the industry. APMs should not be seen as a substitute for financial information presented in accordance with IFRS, but as a complement. Definitions of financial key ratios are provided below.

**Capital employed:** Total assets less noninterest-bearing liabilities and noninterest-bearing provisions. Average capital employed is calculated as capital employed at end of the period plus capital employed at the same point in time in the preceding year, divided by two.

**Cash flow from operating activities per share:** Cash flow from operating activities for the year divided by the average number of shares outstanding before dilution.

**Cash flow per share:** Cash flow for the year divided by the average number of shares outstanding before dilution.

**Debt-equity ratio:** Interest-bearing liabilities divided by shareholders' equity including non-controlling interests.

**Dividend per cent:** Dividend per share divided by earnings per share before dilution.

**Dividend yield:** Dividend per share divided by the share price at year-end.

**Earnings per share after dilution:** Net profit for the year attributable to owners of the parent divided by a weighted average number of shares outstanding after dilution.

**Earnings per share before dilution:** Net profit for the year attributable to owners of the parent divided by a weighted average number of shares outstanding before dilution.

**EBITDA:** Operating profit before depreciation, amortization and impairment losses.

**EBITDA excluding IFRS 16:** EBITDA excluding effects of reporting in accordance with IFRS 16.

**Equity ratio:** Shareholders' equity including non-controlling interests in relation to total assets.

**Growth in store sales:** Percentage change in the Axfod Group's store sales between two periods.

**Inventory turnover rate:** The cost of delivered goods divided by the average inventory value.

**Joint-Group:** Includes head office support functions, such as the Executive Committee, Finance/Accounting, Communications, Business Development, HR and IT.

**Like-for-like sales:** Sales for stores that existed and generated sales in the comparison period.

**Margin after financial items:** Profit after financial items in relation to net sales.

**Market capitalization:** Share price at year-end multiplied by the number of shares outstanding.

**Net debt/EBITDA:** Net debt divided by EBITDA on a rolling 12-month basis.

**Net debt/EBITDA excluding IFRS 16:** Net debt excluding lease liabilities divided by EBITDA excluding effects of reporting in accordance with IFRS 16 on a rolling 12-month basis.

**Net debt-equity ratio/net receivable-equity ratio:** Net debt/net receivable divided by shareholders' equity including non-controlling interests.

**Net debt-equity ratio/net receivable-equity ratio excl. IFRS 16:** Net debt/net receivable excluding IFRS 16 divided by shareholders' equity including non-controlling interests.

**Net debt/Net receivable:** Interest-bearing non-current and current receivables and liabilities including cash and bank balances, plus interest-bearing financial assets.

**Net debt/Net receivable excl. IFRS 16:** Interest-bearing non-current and current receivables and liabilities, excluding lease liabilities, including cash and bank balances, plus interest-bearing financial assets.

**Net sales growth:** Percentage change in net sales between two periods.

**Operating margin:** Operating profit in relation to net sales.

**Operating profit:** Profit before net financial items and tax.

**P/E multiple:** Share price in relation to earnings per share before dilution.

**Private label share:** Sales of private label products, excluding meat and fruits & vegetables, as a percentage of the Axfod Group's store sales. The private label share is based on data from external suppliers. Data from a selection of Axfod's stores is calculated to a total sum based on the stores' annual sales. In this selection, sales for Group-owned and franchise stores are weighted according to their actual historical sales.

**Pro forma:** A method of reporting changed historical figures that describe financial effects after a change in order to be able to compare with current figures.

**Return on capital employed:** Profit after financial items, plus financial expenses, divided by average capital employed.

**Return on shareholders' equity:** Net profit for the year attributable to owners of the parent divided by average equity attributable to owners of the parent.

**Sales, Group-owned retail operations:** Sales for Willys and Hemköp stores owned by Axfod.

**Shareholders' equity per share:** Equity attributable to owners of the parent divided by the number of shares outstanding at year-end.

**Share price:** Closing share price.

**Share turnover rate:** The number of shares traded during the year divided by the number of shares outstanding at year-end.

**Store sales, Axfod Group:** Sales for Hemköp and Willys stores, including Hemköp franchise stores.

**Total capital expenditures:** Investments in intangible and tangible non-current assets, and right-of-use assets.



# Ten-year overview

SEK m	2020	2019	2018	2017	2016	2015	2014	2013	2012 <sup>1)</sup>	2011
<b>Result of operations</b>										
Net sales	53,696	50,740	48,085	45,968	43,355	41,247	38,484	37,522	36,306	34,795
Operating profit	2,510	2,288	2,025	1,886	1,902	1,760	1,447	1,302	1,200	1,250
Profit after financial items	2,394	2,173	2,016	1,881	1,894	1,749	1,430	1,278	1,162	1,214
Tax	-531	-494	-439	-414	-421	-388	-326	-285	-260	-323
<b>Net profit for the year</b>	<b>1,862</b>	<b>1,679</b>	<b>1,577</b>	<b>1,467</b>	<b>1,473</b>	<b>1,361</b>	<b>1,104</b>	<b>993</b>	<b>902</b>	<b>891</b>
<b>Financial position</b>										
Intangible assets	3,519	3,472	3,449	3,388	2,478	2,528	2,536	2,645	2,642	2,461
Property, plant and equipment	2,912	2,744	2,202	2,032	1,799	1,930	1,894	1,916	1,820	1,801
Right-of-use assets	5,656	5,407	-	-	-	-	-	-	-	-
Financial and other assets	286	259	168	215	199	155	134	96	83	79
Inventories and other current assets	4,906	4,614	4,750	4,458	4,337	3,991	4,019	3,815	3,754	3,620
Cash and cash equivalents and assets held for sale	1,534	798	1,675	1,376	1,726	1,933	1,109	457	521	317
<b>Assets</b>	<b>18,814</b>	<b>17,293</b>	<b>12,244</b>	<b>11,469</b>	<b>10,539</b>	<b>10,537</b>	<b>9,692</b>	<b>8,929</b>	<b>8,820</b>	<b>8,278</b>
Shareholders' equity	4,331	4,020	4,304	4,266	4,117	4,530	4,029	3,768	3,398	3,237
Non-controlling interests	232	229	224	212	1	1	36	34	28	-
Lease liabilities	5,708	5,509	-	-	-	-	-	-	-	-
Other interest-bearing liabilities and provisions	403	421	524	528	498	504	585	535	861	1,042
Other liabilities	8,139	7,115	7,192	6,463	5,923	5,502	5,042	4,592	4,533	3,999
<b>Shareholders' equity and liabilities</b>	<b>18,814</b>	<b>17,293</b>	<b>12,244</b>	<b>11,469</b>	<b>10,539</b>	<b>10,537</b>	<b>9,692</b>	<b>8,929</b>	<b>8,820</b>	<b>8,278</b>
<b>Cash flow</b>										
Cash flow from operating activities	4,851	3,555	2,702	2,534	2,241	2,495	2,029	1,596	1,915	1,384
Cash flow from investing activities	-1,080	-1,386	-992	-1,500	-559	-751	-582	-718	-816	-941
Cash flow from financing activities	-3,036	-2,943	-1,515	-1,384	-1,889	-920	-795	-942	-895	-441
<b>Cash flow for the year</b>	<b>735</b>	<b>-774</b>	<b>195</b>	<b>-350</b>	<b>-207</b>	<b>824</b>	<b>652</b>	<b>-64</b>	<b>204</b>	<b>2</b>
SEK m	2020	2019	2018	2017	2016	2015	2014	2013	2012 <sup>1)</sup>	2011
<b>Key ratios</b>										
Operating margin, %	4.7	4.5	4.2	4.1	4.4	4.3	3.8	3.5	3.3	3.6
Margin result after financial items, %	4.5	4.3	4.2	4.1	4.4	4.2	3.7	3.4	3.2	3.5
Equity ratio, %	24.3	24.6	37.0	39.0	39.1	43.0	41.9	42.6	38.8	39.1
Net debt (+)/net receivable (-)	4,577	5,131	-	-	-	-	-	-	-	-
Net debt (+)/net receivable (-) excl. IFRS 16	-1,131	-377	-1,047	-871	-1,249	-1,449	-524	78	340	725
Net debt/EBITDA, multiple	1.0	1.2	-	-	-	-	-	-	-	-
Net debt/EBITDA excl. IFRS 16, multiple	-0.4	-0.1	-0.4	-0.3	-0.5	-0.6	-0.2	0.0	0.2	0.4
Net debt-equity ratio (+)/net receivable-equity ratio (-), multiple	1.0	1.2	-	-	-	-	-	-	-	-
Net debt-equity ratio (+)/net receivable-equity ratio (-) excl. IFRS 16, multiple	-0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.1	0.0	0.1	0.2
Capital employed	10,674	10,178	5,052	5,006	4,616	5,035	4,650	4,337	4,288	4,279
Return on capital employed, %	24.2	30.1	40.4	39.4	39.5	36.5	32.4	30.3	28.2	31.0
Return on shareholders' equity, %	45.7	39.6	36.2	34.9	34.1	31.8	28.1	27.5	27.2	28.7
Total capital expenditures	2,755	2,452	1,021	1,934	580	764	643	806	932	993
Investments in intangible assets and in property, plant and equipment, SEK m	1,031	1,481	1,021	1,934	580	764	643	806	932	993
Depreciation/amortization	2,252	2,146	760	744	719	696	693	667	632	588
Earnings per share before dilution, SEK <sup>2)</sup>	9.12	7.87	7.41	6.98	7.02	6.48	5.22	4.70	4.30	4.25
Earnings per share after dilution, SEK <sup>2)</sup>	9.09	7.85	7.40	6.98	7.02	6.48	5.22	4.70	4.30	4.25
Shareholders' equity per share, SEK <sup>2)</sup>	20.70	19.21	20.54	20.35	19.62	21.58	19.20	17.96	16.19	15.42
Cash flow per share, SEK <sup>2)</sup>	3.51	-3.70	0.93	-1.67	-0.99	3.93	3.11	-0.30	0.97	0.01
Cash flow from operating activities per share <sup>2)</sup>	23.18	16.98	12.89	12.08	10.68	11.89	9.67	7.60	9.12	6.59
Number of shares outstanding	209,198,604	209,298,712	209,494,712	209,676,712	209,870,712	209,870,712	52,467,678	52,467,678	52,467,678	52,467,678
Average number of employees during the year	11,451	10,854	10,215	9,903	9,211	8,803	8,481	8,285	8,021	7,062
Ordinary dividend per share, SEK <sup>2)</sup>	7.50 <sup>3)</sup>	7.25	7.00	7.00	6.00	5.00	4.25	3.75	3.00	3.00
Extra dividend per share, SEK	-	-	-	-	-	4.00	-	-	-	-

<sup>1)</sup> On account of new accounting policies as from 1 January 2013 regarding pension costs (IAS 19), the comparison figures for 2012 have been adjusted.<sup>2)</sup> In 2015 Axfood carried out 4:1 stock split. The number of shares after the split is 209,870,712. Comparison figures have been adjusted.<sup>3)</sup> Proposed by the Board of Directors.

# The share and ownership structure

**LISTING:** NASDAQ STOCKHOLM **LARGE CAP SYMBOL:** AXFO **NUMBER OF SHARES:** 209,870,712 **ISIN:** SE0006993770

**MARKET CAP AT YEAR-END:** SEK 40.3 BILLION

**Axfood's shares are listed on Nasdaq Stockholm. The share capital as per 31 December 2020 is SEK 262 m, distributed among 209,870,712 shares with a share quota value of SEK 1.25. Each share carries entitlement to one vote.**

## Trading volume

A total of 135.6 million (95.2) Axfood shares were traded in all marketplaces in 2020, with average daily trading volume of 538,209 shares (380,732). Trading on Nasdaq Stockholm accounted for 78% (71%) of total trading volume in Axfood shares. The average turnover rate for Axfood shares on Nasdaq Stockholm in 2020 was 50% (34%), compared with 70% (60%) for Nasdaq Stockholm. The total average turnover rate for Axfood shares in 2020, based on trading in all marketplaces, was 65% (45%).

## Share performance and market capitalization

Based on the closing share price on 30 December 2020, SEK 191.80, the Group's market capitalization was SEK 40,253 m (43,737). The share price decreased by 8.0% in 2020, while the total index (OMXSPI) gained 12.9%. The total return for Axfood's shares in 2020 including reinvested dividends decreased 4.5%. The highest closing price quoted during the year was SEK 217.60, on 6 April. The lowest closing price quoted during the year was SEK 168.40, on 12 March.

## Ownership structure

The number of shareholders increased in 2020 to 80,342 at year-end (61,592). The principal owner is the Axel Johnson Group, with 50.1% of the shares (votes and capital). No other shareholder owns – directly or indirectly – more than 10% of the shares in Axfood (votes and capital). Axel Johnson's shareholding was unchanged in 2020. Foreign ownership at year-end corresponded to 24.7% of the share capital, a decrease of 1.4 percentage points compared with 2019. Of Swedish ownership, 75.3%, institutions accounted for 10.9%, private persons for 11.5%, and other Swedish owners for 52.7% of the share capital. The largest foreign ownership is in the USA, France, Norway and the U.K.

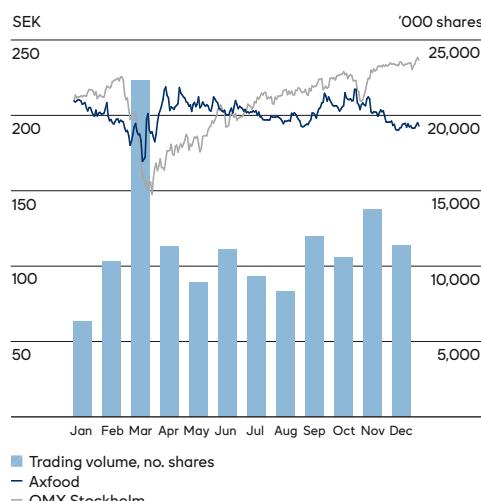
## Dividend

During the year, the dividend policy was changed, whereby the dividend has been split up into two payments. The Board of Directors recommends that the Annual General Meeting resolve in favour of an increased dividend for the 2020 financial year of SEK 7.50 per share (7.25), corresponding to 82% of profit for the year. During the last five years, the ordinary dividend has averaged 91% of profit after tax.

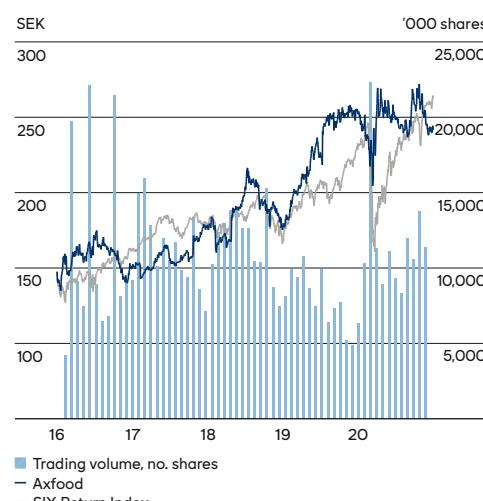
## Share repurchases

To secure delivery of shares coupled to Axfood's long-term share-based incentive programmes, Axfood conducts share repurchases. At year-end Axfood's holding of treasury shares amounted to 672,108 shares, corresponding to 0.3% of the total number of shares. More information about Axfood's share repurchase programmes is provided in Note 8 to the consolidated accounts, Information on employees and compensation of directors, the President and other senior executives.

### Axfood share price and trading volume, 2020



### Axfood shares, total return, index





## The share and ownership structure

## Breakdown of ownership, 31 December 2020

Size class	No. shareholders	Shareholders, %	No. of shares	Share of votes and capital, %
1 – 500	71,086	88.5	5,642,440	2.69
501 – 1,000	4,716	5.9	3,758,303	1.79
1,001 – 5,000	3,657	4.6	8,056,430	3.84
5,001 – 10,000	441	0.6	3,225,201	1.54
10,001 – 20,000	175	0.2	2,584,783	1.23
20,001 –	267	0.3	186,603,555	88.91
<b>Total</b>	<b>80,342</b>	<b>100.0</b>	<b>209,870,712</b>	<b>100.0</b>

Source: Monitor by Modular Finance AB, with data from various sources, including Euroclear Sweden AB and Morningstar as of 31 December, 2020. Totals may be affected by rounding.

## Ten largest shareholders at 31 December 2020

Name	No. of shares	Share of capital and votes, %
Ax:son Johnson (family and companies)	105,120,264	50.1
SEB Fonder och Liv	5,571,874	2.7
Handelsbanken Fonder och Liv	3,738,747	1.8
Odin Fonder	3,020,602	1.4
Vanguard	2,826,745	1.3
BNP Paribas Asset Management	2,764,429	1.3
Nordea Fonder	2,699,618	1.3
APG Asset Management	2,100,734	1.0
Norges Bank	1,896,913	0.9
Ninety One	1,860,320	0.9
<b>Total</b>	<b>131,600,246</b>	<b>62.7</b>
Others	78,270,466	37.3
<b>Total</b>	<b>209,870,712</b>	<b>100.0</b>

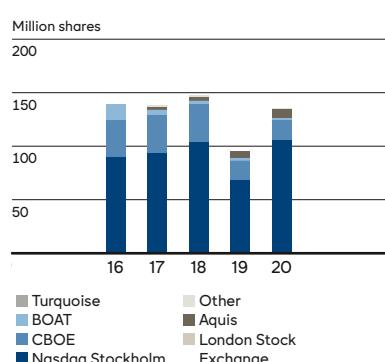
Source: Monitor by Modular Finance AB, with data from various sources, including Euroclear Sweden AB and Morningstar as of 31 December, 2020. Totals may be affected by rounding.

## Key data per share

Amounts in SEK	2020	2019	2018	2017	2016
Ordinary dividend	7.50 <sup>1)</sup>	7.25	7.00	7.00	6.00
Dividend payout, %	82.2 <sup>1)</sup>	92.1	94.4	100.0	85.5
Number of shares outstanding	209,198,604	209,298,712	209,494,712	209,676,712	209,870,712
Share price at year-end	191.80	208.40	151.70	158.10	143.20
Market cap at year-end, SEK m	40,253	43,737	31,837	33,181	30,053
Highest/lowest closing share price	217.60/168.40	212.50/151.90	185.70/140.20	161.00/133.30	164.20/131.40
Dividend yield, %	3.9 <sup>1)</sup>	3.5	4.6	4.4	4.1
Earnings per share before dilution	9.12	7.87	7.41	6.98	7.02
Shareholders' equity per share	20.70	19.21	20.54	20.35	19.62
P/E multiple	21.0	26.5	20.5	22.7	20.4
Turnover rate, %	50	34	50	45	43
Volatility, standard deviation, %	27.6	19.1	21.4	16.0	20.8
Beta	0.23	0.39	0.42	0.41	0.61
Number of shareholders	80,342	61,592	52,202	49,292	33,164

<sup>1)</sup> Proposed by the Board of Directors.

## Trading volume for Axfood shares on various marketplaces



## Geographic distribution of shareholders



- Sweden, 75.3%
- USA, 4.9%
- Norway, 2.5%
- France, 2.1%
- UK, 1.7%
- Other, 5.7%
- Anonymous ownership, 7.7%

## Breakdown of ownership



- Swedish private persons, 11.5%
- Swedish institutions, 10.9%
- Other Swedish owners, 52.7%
- Foreign institutions, 16.6%
- Other and anonymous ownership, 8.3%

Source: Monitor by Modular Finance AB, with data from various sources, including Euroclear Sweden AB and Morningstar as of 31 December, 2020. Totals may be affected by rounding.

# Shareholder information

## Axfood's website

Axfood's website, [axfood.se](http://axfood.se), provides information for the capital market and other interested parties. It provides current as well as historical information about, e.g., the Group's operations, vision, mission and strategy, corporate governance and sustainability work. Visitors to the website can also find information about the performance of Axfood's shares over time. Press releases, presentations, financial reports and information about the Annual General Meeting are posted on the website. A service is provided that enables interested parties to subscribe for press releases and financial reports via email.

## Financial reports

Financial reports are available at Axfood's website, which also includes an archive of financial reports since 2000, the year in which Axfood was established. Printed copies of Annual and Sustainability Reports are distributed to shareholders upon request. Interim reports and year-end reports are distributed only via the website. Interested parties can subscribe for financial reports via email through the subscription service that Axfood provides. Conference calls are held in English in connection with publication of Axfood's interim reports and the year-end report.

## IR activities

The aim of Axfood's Investor Relations is to keep the capital market continuously informed about the Company's operations and development. Through regular meetings with Swedish and international investors and analysts, Axfood maintains a dialogue and provides continuous information. Presentations are made during conferences and meetings, usually in connection with the Group's publication of interim reports and year-end reports. A few topics that were of particular interest for investors and analysts in 2020 included the extent to which the Company's various operations have been impacted by the pandemic, logistics and the Group's new, highly automated logistics centre in Bålsta, north of Stockholm, future-oriented ventures such as Klubb Hemköp and Snabbgross Club, the digital customer meeting and development in e-commerce, and the Group's continuing work with sustainability issues.

Axfood is also engaged in a continuous dialogue with non-institutional shareholders. For example, presentations are held during events organized by the Sveriges Aktiesparares Riksförbund (the Swedish Shareholders Association), an independent organization for private persons who invest in shares, mutual funds and other types of equity-based securities. During the year Axfood participated in virtual meetings for Unga Aktiesparare (Young Shareholders) in Stockholm.

## Financial calendar 2021

<b>16 March</b>	<b>31 March</b>	<b>24 September</b>
Record date for 2021 Annual General Meeting	Proposed date for payment of dividend	Proposed record date for payment of dividend
<b>24 March</b>	<b>22 April</b>	<b>29 September</b>
Annual General Meeting	Interim report January–March	Proposed date for payment of dividend
<b>25 March</b>	<b>15 July</b>	<b>21 October</b>
Ex-dividend date	Interim report January–June	Interim report January–September
<b>26 March</b>	<b>23 September</b>	
Proposed record date for payment of dividend	Ex-dividend date	

## Analysts who cover Axfood

Company	Name
ABG Sundal Collier	Fredrik Ivarsson
Carnegie Investment Bank	Niklas Ekman
Danske Bank	Daniel Schmidt
DNB	Ebba Björklid
Handelsbanken	Nicklas Skogman
Kepler Chevreux	Magnus Råman
Nordea	Daniel Ovin
SEB	Gustav Hagéus



## Contact

Head of Investor Relations  
Alexander Bergendorf  
Tel: +46 73 049 18 44  
[alexander.bergendorf@axfood.se](mailto:alexander.bergendorf@axfood.se)



# Annual General Meeting 2021

The Annual General Meeting (AGM) of Axfood AB will be held on 24 March 2021. Due to the continuing coronavirus pandemic and with the purpose to lower the risk of spread of infection, the AGM will be conducted through a postal voting procedure, pursuant to the Act (*Lagen (2020:198) om tillfälliga undantag för att underlätta genomförandet av bolags- och föreningsstämmor*) on Temporary Exceptions to Facilitate the Conducting of Company and Association General Meetings, which means that no shareholders or representatives will physically attend the AGM. Participation will instead be conducted by means of the shareholders voting and submitting any questions in advance. More information can be found in the notice to the AGM.

## Notification

Shareholders who wish to participate in the Annual General Meeting must notify the Company by submitting their postal votes in accordance with the instructions under the heading *Postal voting* in the notice to the AGM, so that their postal votes have been received by Euroclear Sweden AB no later than Tuesday, 23 March 2021. Note that notification to participate in the AGM may only be done through postal voting. Notification must include the shareholder's name, personal identity number or corporate identity number, address, and phone number.

## Participation in the AGM

To be entitled to participate in the AGM, shareholders must be recorded in the register of shareholders maintained by Euroclear Sweden AB not later than Tuesday 16 March 2021, and submit their postal votes thereby notifying intention to participate in the AGM not later than Tuesday 23 March 2021. Shareholders whose shares are registered in the name of a nominee must, in addition to notifying participation in the AGM, temporarily re-register their shares in their own names in the register of shareholders (so-called voting rights registration) in order to be able to participate in the AGM. Such registration must be executed by Thursday, 18 March 2021 and should be requested from the shareholder's bank or nominee well in advance of this date.

The Board of Directors and the President and CEO shall, if any shareholder requests it and the Board finds that it can be done without material harm to the Company, provide disclosures about conditions that could have an impact on the assessment of an item of business on the agenda, conditions that could have an impact on the assessment of the Company's or a subsidiary's financial situation, and the Company's relation to another Group company. Shareholders who wish to ask questions can do so by email to [arsstamma@axfood.se](mailto:arsstamma@axfood.se) or by post to Axfood AB (publ), Att: Investor Relations, SE-107 69 Stockholm, Sweden. Questions from shareholders must be received by Axfood not later than 14 March 2021 and will be responded to by not later than 19 March 2021. Questions and answers will be kept on hand at Axfood, Solnavägen 4 in Stockholm, and on Axfood's website, and will also be sent to the respective shareholders provided that the shareholder's address is known by Axfood or is provided by the shareholder together with the question.

## Dividend

The Board of Directors recommends that the Annual General Meeting resolve in favour of a dividend of SEK 7.50 per share (7.25) for the 2020 financial year. The dividend shall be split into two payments, SEK 3.75 per share in March 2021 and SEK 3.75 per share in September 2021. 26 March 2021 and 24 September 2021 are proposed as the record dates for payment of dividends. If the AGM votes in favour of the proposal, payment of dividends is expected to take place on 31 March and 29 September 2021.

## Notice of Annual General Meeting

Notice of the Annual General Meeting has been made through advertisement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and through publication on the Company's website. Documents that will be presented at the AGM will be available on the Company's website. They will also be sent, upon request, to shareholders who provide their postal address.



**Axfood AB**  
SE-113 65 Stockholm  
Visitors' address: Solnavägen 4  
Tel. +46-8-553 990 00  
[info@axfood.se](mailto:info@axfood.se)  
[www.axfood.se](http://www.axfood.se)  
Reg. no.: 556542-0824

**Willys AB**  
SE-412 86 Gothenburg  
Visitors' address: Falkenbergsgatan 3  
Tel. +46-31-733 3100  
[info@willys.se](mailto:info@willys.se)  
[www.willys.se](http://www.willys.se)  
Reg. no.: 556163-2232

**Hemköpssedjan AB**  
SE-113 65 Stockholm  
Visitors' address: Solnavägen 4  
Tel. +46-8-553 990 00  
[info@hemkop.se](mailto:info@hemkop.se)  
[www.hemkop.se](http://www.hemkop.se)  
Reg. no.: 556113-8826

**Axfood Snabbgross AB**  
SE-113 65 Stockholm  
Visitors' address: Solnavägen 4  
Tel. +46-8-553 990 00  
[www.snabbgross.se](http://www.snabbgross.se)  
Reg. no.: 556000-3575

**Dagab Inköp & Logistik AB**  
SE-113 65 Stockholm  
Visitors' address: Solnavägen 4  
Tel. +46-8-553 990 00  
Reg. no.: 556004-7903

**Axfood AB**  
Shared Service Center  
SE-551 93 Jönköping  
Visitors' address: Bataljonsgatan 12  
Tel. +46-36-36 4100

**Text:** Axfod Production, design and final art: Hallvarsson & Hallvarsson  
**Photos:** Johan Alp, Elin Andersson, Johannes Berner, Per Björklund, Christian Björnerhag, Jimmy Eriksson, Fond&Fond, Lena Larsson, Pelle Lundberg, Stefan Nilsson, Fredrik Ottosson, Mårten Ryner, Oscar Segerström/oscarsegerstrom.se.  
**Printing:** Larsson Offsettryck AB, Linköping 2021



Printed matter  
3041 0298



# Axfood

[www.axfood.se](http://www.axfood.se)



