

A group of people, including a woman with glasses and a child, celebrating at an outdoor gathering. The woman is smiling and has her arm raised, and the child is also smiling and has their arm raised. They are surrounded by other people, including a young girl with blonde hair and a woman with brown hair. They are sitting at a table with food and drinks. The background is a lush green garden.

**Axfood**

ANNUAL AND SUSTAINABILITY REPORT 2021

**Better quality of life  
for everyone**

# Contents

## BUSINESS REVIEW

This is Axfood	2
CEO's message	5

## STRATEGY

Markets and drivers	9
Business model	13
Targets and outcomes	14
Strategic focus areas	17
Risks and risk management	29
Investment case	33

## FINANCIAL STATEMENTS

Administration report	35
Financial statements	46
Notes	53
Auditor's report	81

## SUSTAINABILITY

Sustainability in everything	84
Food	89
The environment	92
People	100
Reporting principles and definitions	108
EU taxonomy regulation	110
GRI-index	111
Sustainability report index - Annual	
Accounts Act and auditor's report	112
Sustainability programme	113

## CORPORATE GOVERNANCE

Chairman's message	119
Governing bodies, rules and regulations	120
The Board's report on internal control	125
Auditor's examination of the corporate governance report	127
Board of Directors	128
Executive Committee	129

## OTHER

Definitions and glossary	131
Ten-year overview	133
The share and ownership structure	135
Shareholder information	137
Annual General Meeting	138

### About the Annual and Sustainability Report

Pages 35–80 constitute the statutory annual report, which has been audited. Sustainability is integrated into the operations and is therefore integrated in the Annual Report. Axfood presents a reviewed 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.



# 46

Financial statements



# 17

Strategy



# 84

Taking the lead  
in promoting  
a sustainable  
food system

“ 2021 was probably  
the most eventful year  
in Axfood's history.

CEO's message page 5



Vision

**Axfood aspires to be the leader in affordable, good and sustainable food**

**4.5 million**

Number of customers reached through Axfood's store concepts every week

**580**

Number of Group-owned stores and franchise stores

**12,202**

Average number of employees within the Axfood family



# This is Axfood

The Axfood Group is a leader in food retail in Sweden and a family of different concepts working in collaboration. Each week 4.5 million customers are reached. Customer meetings take place through more than 300 Group-owned stores, e-commerce and over 600 collaborating franchise stores. In total, Axfood has more than 12,000 employees (FTEs), net sales of approximately SEK 58 billion and an operating margin of 4.7%.

Axfood aspires to be, and to be recognised as, a strong force in society and to work together with stakeholders and decision-makers in society to drive development toward more sustainable food consumption.

Axfood's shares are listed on Nasdaq Stockholm and the principal owner is Axel Johnson.

**SEK 58 bn**

Net sales

**SEK 2.7 bn**

Operating profit

**4.7%**

Operating margin

Market share



# A unique family of companies

- Axfood develops and operates different concepts in the Swedish market. Each concept has a healthy position in its respective segment and is to offer the best customer experience for its target group. Axfood's strong concept is a competitive advantage, and close Group-wide collaboration between the Group companies and central functions creates economies of scale and cost efficiency.
- Axfood is primarily represented in the food retail market through the leading discount grocery chain Willys, Hemköp and Tempo in traditional food retail, and Eurocash in cross-border shopping with Norway. With its partnership with City Gross, Axfood also has a presence in the hypermarket segment. With Middagsfrid and Mat.se<sup>1)</sup>, Axfood operates in pure-play online retail. In addition to these concepts, Axfood also has a presence in cafés and restaurants with Snabbgross and Urban Deli, and a position in the online pharmacy market with Apohem.
- Dagab is responsible for ensuring that the assortment, purchasing and logistics maintain high efficiency and quality. As a support company, Dagab has a key role in the work to streamline the product flow for the Group-owned stores and external customers, such as franchise stores and convenience retailers. Axfood IT plays a crucial role in the Group's digital development, automation and data-driven work approach to meet future needs.

1) On 1 March 2022, Axfood enters into a strategic partnership with Mathem and becomes a co-owner of the company through the divestment of Mat.se in exchange for shares in Mathem. Read more on page 7.





### Business concept

# Axfood is a family of different concepts in collaboration

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



Tempo is a mini-mart format of franchise stores. At Tempo, store customers are greeted by a familiar environment offering good food and personal service.

## eurocash

Eurocash<sup>1)</sup> is one of the leading grocery chains along the Norwegian border. Specialising 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, Handlar'n offers accessibility and proximity to groceries and services, mainly in the countryside but also in city centres.

## mat.se

Mat.se<sup>2)</sup> 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.



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<sup>1)</sup> is an e-commerce challenger, featuring a full-scale retail pharmacy where customers can order over-the-counter (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 its 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 stores and online. Sales to consumers take place through the Snabbgross Club concept.



Axfood has a minority stake of 9.9% of the shares in City Gross<sup>1)</sup> as part of a strategic partnership. City Gross operates supermarkets and online shopping and has a wide assortment with a rich offering of fresh products.

## DAGAB

Dagab runs and develops the Group's assortment, purchasing and logistics. Dagab plays a key role in Axfood's efforts to continuously streamline the product flow.

1) Partly owned by Axfood. Read more in note 21.

2) On 1 March, Axfood enters into a strategic partnership with Mathem and becomes a co-owner of the company through the divestment of Mat.se in exchange for shares in Mathem. Read more on page 7.

Read more about our segments on pages 38-45.

## “ An intense and historic year with major strides made toward our vision.

As we now put 2021 behind, I can confidently say that the past year has probably been the most intense and exceptional year in Axfood's history. Despite operating in the midst of a pandemic, with restrictions and a number of upheavals, we strengthened our market positions and implemented major structural changes that are increasing our competitiveness. The developments we are now implementing are creating the prerequisites for long-term, profitable and sustainable growth.

The current rate of development in the Group is very high. We are building a platform that will strengthen our Group and create growth opportunities for many years to come. As I now reflect back on the past year, I cannot help but feel proud of the outstanding commitment of our employees and of what we have achieved together. The investments in the future that are now being carried out would not have been possible without the successful collaboration and shared sense of drive that characterise our Group. We are creating an Axfood for the future, and I want to thank all of our employees for making this possible.

### A changing market and operating environment

The markets where we operate are large, stable and growing, but they are also undergoing a change. Both traditional and new players are challenging, and the food retail market is continuously developing and being renewed. The conditions in the market are also changing as a result of digitalisation and new ecosystems of products and services. At the same time, consumers are imposing stricter demands on health and sustainability and becoming more price conscious.



### Important events 2021

- Acquisition of the wholesale business Bergendahls Food and a minority stake in City Gross as part of a strategic partnership.
- Agreements signed for a new, automated e-commerce warehouse in Backa in Gothenburg, expanding and automating the existing high-bay warehouse in Backa in Gothenburg, and the establishment of a new, large-scale and partly automated nationwide warehouse for fruits and vegetables in Landskrona.
- Installation commenced on the new automation solution in the highly automated logistics centre in Bålsta, outside Stockholm.
- Agreement signed for strategic collaboration with Mathem, in which Axfood becomes a new partner through the divestment of Mat.se to Mathem.
- Decreased food waste and an expanded assortment of sustainable products.
- Further steps taken toward fossil-free transports and the first fully electric truck became operational.

Key ratios	2021	2020	Change
Net sales, SEK m	57,891	53,696	7.8%
Store sales, SEK m	47,835	46,954	1.9%
Net sales in e-commerce, SEK m	3,703	2,827	31.3%
Operating profit, SEK m	2,704	2,510	7.7%
Operating profit excl. items affecting comparability, SEK m	2,690	2,510	7.2%
Operating margin, %	4.7	4.7	0.0
Operating margin excl. items affecting comparability, %	4.6	4.7	0.0
Share of sustainability-labelled products, %	28.1	28.3	-0.2
Share of food waste, %	1.2	1.3	-0.1

“ Strengthened market positions and investments for continued sustainable growth.

CEO'S MESSAGE

Nevertheless, we currently hold a solid position in this rapidly changing operating environment. We have strong, distinctive concepts that attract all types of consumers. We have a robust technical platform and a high level of expertise in data and analysis, and a large share of the online market. We have a rapid rate of product development and strong private label products that create an attractive and effective assortment.

**A successful year**

We are closing the books on a year that was impacted by high comparison figures and low food price inflation. We once again outperformed the market in terms of growth both in stores and online and delivered improved earnings. I view this impressive performance as confirmation of the continued development of our various concepts. At the same time, we continued to operate in the midst of the Covid-19 pandemic, which created challenges in the form of new consumption habits as well as periods of high sickness-related absence and certain disruptions in the supply chain.

As pandemic restrictions were eased, market dynamics successively changed over the course of the year, and we saw a continued gradual recovery for stores in central urban locations and for cross-border shopping, as well as restaurants and convenience retailers. The significantly lower level of growth in e-commerce was mainly attributable to the high growth rate in the preceding year, but also to the fact that growing numbers of consumers have returned to shopping in physical stores.

Willys is the food retail concept that reaches the highest share of households in the market with its position as Sweden's leading discount grocery chain. Willys is also advancing its position in e-commerce, not

least through the highly popular Willys Hämta concept. Hemköp, which is continually developing its concept and strengthening its sustainability profile, had one of its strongest years to date and has seen a positive trend in terms of customer loyalty since the launch of its new Klubb Hemköp loyalty programme. Snabbgross had a fantastic year and is benefiting from its enhanced concept, customer base and market share. At the same time, the new Snabbgross Club concept – wholesale stores for B2B customers where private consumers can also shop – is creating exciting new opportunities for further growth.

Our smaller development companies have also consolidated their positions in their respective segments: Urban Deli in the restaurant segment, Middagsfrid in the segment for pre-planned meal kits and Apohem in the online pharmacy market. These businesses contribute to innovation and development in important growth areas.

Overall, the Axfood family has a broad store presence across Sweden, but there are still a number of attractive locations where we are not yet represented. There is also a clear demand for our concepts, and we want to tap into this demand. We therefore plan to accelerate our rate of new store establishment in the coming years and aim to reach even more customers in stores and online. We believe in the strength of having collaborating channels and want to give consumers the best customer meeting, regardless of how they choose to shop at our concepts.

**Optimised logistics platform**

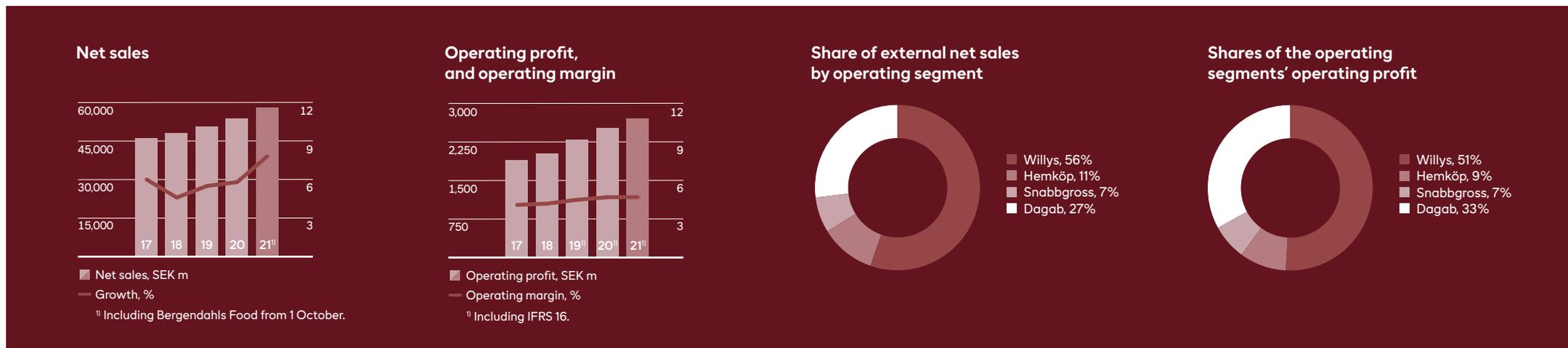
To be able to continue challenging and growing faster than the market, our base operations also need to be efficient. The activity level in our

purchasing and logistics company, Dagab, is very high, and in addition to significant steps in the development of our assortment, increased store and e-commerce logistics efficiency, and a digital and data-driven work approach, we are making major investments to solidify the foundation for a top-class nationwide logistics platform. All to ensure an even more sustainable, efficient and competitive product supply.

A number of major development projects are currently being carried out in parallel. We are establishing a new, highly automated logistics centre in Bålsta outside Stockholm, a new, automated e-commerce warehouse in Backa in Gothenburg, automating our existing high-bay warehouse in Backa, and establishing a new, large-scale and automated nationwide warehouse for fruits and vegetables in Landskrona.

**Making food retail history through acquisitions**

To complement the Axfood family and bolster our competitiveness, we made food retail history in the autumn through the acquisition of the wholesale business Bergendahls Food and a partnership with the hypermarket chain City Gross – a transaction with a clear industrial approach. By acquiring Bergendahls Food, we can integrate and coordinate Dagab's logistics and assortment operations, thereby creating economies of scale and cost synergies. And through a long-term partnership with and minority stake in City Gross, we can work together to further develop and strengthen City Gross's position in the hypermarket segment, a segment that Axfood has not served in the past. Through this exciting transaction, we are creating the conditions to strengthen our market position together.



## CEO'S MESSAGE

In addition to the acquisition of Bergendahls, we announced another important strategic transaction in December – our partnership with Mathem, where we will become a co-owner through the divestment of Mat.se. This transaction, which will create clear synergies and economies of scale in pure-play online retail with home delivery, was recently approved by the Swedish Competition Authority and will be completed on 1 March.

**Ambitious sustainability agenda**

We have an ambitious sustainability agenda. Providing food for a growing population without increasing our carbon footprint or damaging biodiversity is one of the greatest and most acute challenges facing society and one where we, as an industry, can have an impact and contribute to a positive change.

At Axfood, we are constantly moving forward in order to reduce our carbon footprint, minimise food waste, offer consumers a varied assortment of sustainable products, and promote greater gender equality and diversity. We pride ourselves on being perceived as credible and transparent, and aim to create the right conditions for all of our employees to contribute to sustainable development. The level of engagement in the Group is high, and we want to take a stance, inspire and lead the way when it comes to reducing the environmental impact of food in the value chain that we are part of. Our entire fleet of heavy-duty trucks is now fossil-free, the process of building Sweden's largest solar park is under way, food waste is continuing to decrease, and more of the fish sold in our stores is green-listed – these are just a few of the comprehensive and important sustainability activities we can feel proud to have carried out.

**Well equipped for the future**

We are emerging from a successful year stronger than before and with the energy to continue investing in the future. A dynamic market requires an ability to change, and the investments we are making are creating the conditions for continued growth. We also see potential for increased profitability over time, which is reflected in our recently raised profitability target.

2021 was perhaps the most intense and exceptional year for Axfood to date, a year in which we took major and important steps for the continued development of our Group. And a year in which we, together with our employees across the country, made major strides toward our vision of being the leader in affordable, good and sustainable food.

Stockholm, February 2022

**Klas Balkow**

*President and CEO*

**Acquisition of Bergendahls Food and City Gross partnership**

## A transaction with a clear industrial approach

**On 1 October, following approval from the Swedish Competition Authority, the Group acquired the wholesale business Bergendahl Food AB as well as a minority stake in City Gross Sverige AB as part of a strategic partnership. The acquisition has created economies of scale and synergies as well as benefiting wholesale customers and consumers through increased efficiency and product range and logistics improvements.**

To strengthen its presence and increase its competitiveness in the Swedish food retail market, Axfood entered into an agreement with Bergendahl & Son AB to acquire 100% of Bergendahl Food AB. In addition, as part of a strategic partnership, Axfood acquired a minority stake corresponding to 9.9% of the shares in City Gross Sverige AB with an option to increase its shareholding to 30%. Completion of the acquisition was subject to approval by the Swedish Competition Authority, which was obtained on 16 September. The acquisition was completed on 1 October. The initial

consideration amounted to SEK 1.8 bn on a cash and debt-free basis, and upon full exercise of the call option, the total consideration will amount to SEK 2.5 bn, of which SEK 1.5 bn pertains to Bergendahls Food. Through Dagab, Axfood is continuing to create a long-term future logistics platform, and together with Bergendahls Food, further economies of scale and cost synergies are expected to be achieved in time. Annual synergies are expected to amount to approximately SEK 200 m from 2025 and be realised successively until then. By consolidating its volumes in the wholesale operations, Axfood will strengthen the competitiveness of its own chains and of its external customers. The partnership with Axfood strengthens City Gross's competitiveness and creates the conditions for further development of the concept and a higher market share. The partnership also gives Axfood exposure to the hypermarket segment and increases the Group's presence and reach.

**Part ownership in Mathem through divestment of Mat.se**

## A stronger pure-play online retail offering

**On 14 December, an agreement was signed for a strategic collaboration with Mathem, in which Axfood became a new partner through the divestment of Mat.se to Mathem. The transaction will be completed on 1 March 2022 following approval from the Swedish Competition Authority.**

Combining Mat.se and Mathem will create synergies and economies of scale, providing improved opportunities to develop a strong offering in pure-play online retail with home delivery. At the same

time, Dagab signed a seven-year delivery and cooperation agreement with Mathem concerning purchasing, assortment and logistics. Completion of the transaction was subject to approval by the Swedish Competition Authority, which was obtained on 9 February 2022. The transaction will be completed on 1 March 2022. The consideration for Mat.se amounts to SEK 688 m on a cash and debt-free basis, and payment will take place through newly issued shares in Mathem. Axfood's shareholding in Mathem will amount to 16.5%, making Axfood Mathem's second largest owner.

Strategy

# Clear direction for the future



# A changing environment

Digitalisation, sustainability and health as well as price value are examples of trends that are impacting society, the food retail industry and Axfood at a rapid pace. The pandemic has accelerated many of these trends, resulting, for example, in increased e-commerce and a greater focus on sustainable and healthy products.

Read more about Axfood's objectives for 2030 on page 14

## Demographics



### How changes are taking place

- The population is becoming both younger and older.
- Income gaps in society are increasing.
- More diversity and a higher number of people born outside Sweden.
- Continued rapid pace of urbanisation affecting both cities and the countryside.

## Competition



- Traditional food retail companies focus more on food and invest more based on price considerations.
- Many innovative companies are challenging.
- The market's players are creating ecosystems of products and services.
- Innovative, small players are seeking partnerships.

## Price value



- Digitalisation is leading to increased price transparency.
- Strong discount trend, particularly in times of economic uncertainty.
- A low price is not the only factor by which consumers determine whether a product offers value for money. Pleasant service, attractive peripheral services and a high-quality assortment are also important.

### Impact on the food retail market

- As a result of demographic changes, demand is changing when it comes to assortment and price point.
- Urbanisation is creating new attractive store locations and scope for online shopping while certain locations are becoming less attractive.

- Increased competition from traditional as well as new players and other industries.
- Greater selection for consumers and more stringent requirements.
- Increasing importance of data and consumer insight to respond to changing customer needs and behaviour.
- The market is being renewed through value-adding services, meal solutions, price comparisons, recipe websites and home delivery.

- Increased price consciousness is having a positive impact on certain market segments, particularly discount players.
- Price comparisons require market players to continually monitor their price positions.
- Consumers are focusing more on value for money and demanding an assortment that offers alternatives to strong global and national brands.
- Private label products and large purchasing volumes are key for being able to offer price value.

### How Axfood operates

- Continual assortment development to offer affordable, good and sustainable food as well as meeting demand for an international assortment.
- Establishment of stores and online shopping in growth locations with convenient transportation links.
- Clear values and striving to reflect the diversity found in society in order to meet various needs.

- Development of distinctive concepts to meet various customer needs.
- Clear Group-wide collaboration to add customer value and increase competitiveness.
- An efficient and attractive assortment and a distinct price position.
- Continual development of the concepts' loyalty programmes to ensure relevance and attractiveness.

- A focus on strengthening Willys' position as Sweden's leading discount grocery chain and ensuring that all concepts in the Group deliver value for money.
- Large selection of attractive, affordable and high-quality private label products.
- Efficient processes and cost control in all operations.
- Comprehensive and frequent price evaluations to ensure price positions.



# A changing environment

## Sector convergence



### How changes are taking place

- Long-term trend toward increased sector convergence, especially in major cities.
- The line between sectors is becoming blurred as many companies offer products and services that traditionally are not part of their core businesses.

## Health and sustainability



- There is a growing awareness about the impact of food on the climate and health, especially among young people.
- Consumers believe that food retail companies have a major responsibility for the development of sustainable food.
- More and more consumers are open to changing their food consumption in order to reduce their carbon footprint.

## Digitalisation



- Increased digitalisation in all areas of food retail, from product development and purchasing to logistics, ways of working, marketing and customer meetings.
- High growth in e-commerce.
- New payment methods from new players are changing the way data is accessed and collected.

### Impact on the food retail market

- Groceries are being sold to a greater extent at restaurants, convenience stores and other retail venues.
- The durable goods sector is capturing volumes in certain categories.
- In the long term, the share of household expenses consumed at cafés and restaurants is expected to rise.
- Investments in meal solutions with the establishment of new distribution channels.

- Sustainable food consumption is imposing 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.
- Many people want more information about the origin, quality and ingredients of products.
- Conscious consumers are looking for food inspiration and want help and guidance to make sustainable and healthy choices.

- Demand for new technical solutions and more in-store digital tools.
- New and changed shopping behaviour opening up for new business models and businesses.
- More stringent requirements from consumers concerning user-friendly online shopping platforms.
- The e-commerce business model is challenging, especially for pure-play online retailers and for home delivery.

### How Axfood operates

- Development of the assortment, operations and concepts taking sector convergence into consideration.
- The selection of meal solutions is continuously evolving to meet rising demand.
- Continued focus on development for Urban Deli.

- Assortment development and an increased share of sustainability-labelled products.
- In-store information and inspiration as well as development of loyalty programmes in terms of health and sustainability.
- Focus on more sustainable packaging, reduced food waste, seasonal food, social responsibility and traceability.
- Environmentally certified stores.
- Continued focus on development for Apohem.

- Focus on a flexible in-store shopping experience with digital tools such as self-service and self-scanning as well as payment terminals that simplify the shopping process.
- Continued expansion of e-commerce and accelerated development of the digital customer meeting.
- Flexible delivery alternatives for online shopping, including home delivery as well as store pick-up.

Read more  
about Axfood's  
strategy on  
pages 17-28

MARKETS AND DRIVERS

# The Swedish food retail market

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

The food retail market is relatively unaffected by economic swings and is driven largely by population growth and inflation. Annual market growth has historically been between 2% and 3%. The market is mature, and the three largest players – ICA, Axfood and Coop – together account for approximately 90% of sales.

In recent years, growth in the food retail industry has been strongest in the discount segment, where Willys is the leading player. The discount segment represents approximately a sixth 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. During the last five years, average annual growth for the discount segment was around 7%, compared with nearly 4% 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

– approximately 6% in 2021.<sup>1)</sup> In e-commerce, growth is considerably stronger for the store pick-up option than home delivery.

Axfood estimates that market sales for food retail store chains, excluding VAT, amounted to approximately SEK 252 bn (233) in 2020. In 2021, the Swedish food retail market grew by a total of 1.3%.<sup>1)</sup> Food price inflation was low, at 0.4% according to Statistics Sweden. Demand in the market remained strong and was largely influenced by changed shopping behaviour among consumers as a result of the pandemic. However, comparison figures were exceptionally high due to elevated food consumption in the home in 2020. However, certain parts of the market, such as stores in central urban locations and cross-border shopping with Norway, continued to face a challenging situation as in 2020. However, in-store customer traffic in such locations increased as pandemic restrictions eased. Growth in e-commerce was significantly lower than in the previous year and amounted to 24%, partly due to high comparison figures but also as a result of increased customer traffic in physical stores.<sup>1)</sup> Store pick-up volumes grew by 33% in 2021, while home delivery grew by 16%.

1) Source: Swedish Food Retail Index (Swedish Food Retailers Federation and HUI Research).



## Segmentation of consumer market in Sweden 2020

	Discount		Hypermarkets	Traditional grocery	Mini-marts	Online
	Hard discount	Soft discount				
	<b>5%</b>	<b>11%</b>	<b>25%</b>	<b>46%</b>	<b>8%</b>	<b>5%</b>
Items:	3,000–4,000	5,000–12,000	12,000–20,000	10,000–15,000	1,000–5,000	10,000–15,000
Brands:	Lidl	Willys, Willys Hemma, Eurocash	City Gross ICA Maxi, Stora Coop,	Hemköp, Coop, ICA Supermarket, ICA Kvantum, and others	Tempo, Handlar'n, Direkten, ICA Nära, 7-Eleven, Pressbyrån, Coop, and others	Willys, Mat.se, Hemköp, ICA, Mathem, Coop, and others
Locations:	Residential and external	Residential and external	External	City centres and residential	Roadside and residential	

Source: Axfood's estimates for full-year 2020. The full year 2020 is used as complete public information is missing for 2021.

## Market shares, Swedish food retail market 2020



Source: Axfood's estimates for full-year 2020. The full year 2020 is used as complete public information is missing for 2021.

## MARKETS AND DRIVERS

## Swedish foodservice

The players in the foodservice market provide groceries, beverages and kitchen supplies, and sell to restaurants, cafés, fast-food operators, B2B customers and the public sector. A large share of sales in the market go through distribution from wholesalers to customers, and only a few players 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 players and a large number of smaller specialists. Snabbgross focuses mainly on the private market, where the four largest players – Martin & Servera, Snabbgross, Menigo and Svensk Cater – together account for somewhat more than 85% of sales.<sup>1)</sup>

Sales in the private foodservice market increased by 11% in 2021 and amounted to just over SEK 21 bn (19).<sup>1)</sup> The strong performance was attributable to an improved situation in the café and restaurant market as pandemic restrictions eased and food consumption outside the home increased. The restrictions imposed during the pandemic put constraints on the ability of cafés and restaurants to conduct business as usual. The segments that experienced the most negative impact during the pandemic recorded the greatest revenue increase in 2021 as a result of low comparison figures, including cafés, hotel restaurants and roadside restaurants.<sup>2)</sup> Fast food and lunch restaurants displayed a comparatively favourable performance in this context during the pandemic and, despite high comparison figures, continued to report strong growth in 2021.

1) Source: Delfi Marknadspartner AB. Private foodservice market, index Jan–Dec 2021/Jan–Dec 2020.

2) Source: Statistics Sweden.



Market shares, Swedish private foodservice market 2020



Source: Delfi Marknadspartner AB. Private foodservice market, index Jan–Dec 2021/Jan–Dec 2020.

# Three processes from product selection to customers

Axfood's business model covers purchasing and assortment, logistics and sales channels and concepts. The customer is always in focus and value is created for Axfood and the Group's stakeholders in every step.

## Purchasing and assortment

### Suppliers, 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 emphasise 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.

# >50k

Total number of items in Axfood's assortment

## Logistics

### Modern and efficient logistics

Axfood works tirelessly on optimising the product flow – from reception of goods and warehousing to customer delivery. The Group's level of automation is increasing steadily in both warehouses and stores. Efficient logistics with route planning and high capacity utilisation in transports create the 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.

# 100%

Share of Group-owned trucks that can be driven on fossil-free fuels

## Sales channels and concepts

### Stores, customers and passion for food

Axfood strives to interact its customers where they are through 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 different 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.

# 580

Number of Group-owned stores and franchise stores



# Objectives that set the direction

Axfod's purpose is to create a better quality of life for everyone. This means that we can contribute to making people's lives better. We work to improve and simplify life around food for everyone we impact through our different concepts, operations and brands. The purpose consists of four objectives that set the direction toward 2030.



## By 2030, we will be Sweden's most inclusive food company

We will grow by investing in the opportunities presented by people's increasingly different needs, meeting these needs with our distinctive concepts.

## By 2030, we will be the strongest driving force for sustainable food in Sweden

We will challenge and lead the way when it comes to reducing the environmental impact of food in the value chain that we are part of.

## By 2030, we will have created a healthier Sweden

We will contribute to better public health and good food habits for everyone by increasing knowledge and facilitating healthy choices.

## By 2030, we will be a leader in the development of the simplest and best food experiences

We will challenge ingrained habits through innovative, efficient solutions that create value for us and the world around us.

# Targets and outcomes

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: 1.9%**

Axfood will grow faster than the market. In 2021, Axfood's store sales increased by 1.9% (8.7), while growth for the market was 1.3% (7.6), according to the Swedish Food Retailers Federation and HUI Research.

Growth in store sales, %



**Comments**

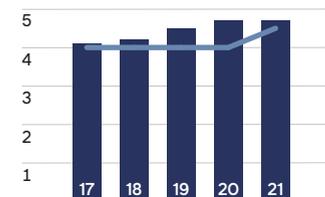
With various strong concepts and an advantageous market position, Axfood has grown faster than the market for several years, with this trend continuing in 2021. Its relatively high market share in e-commerce has contributed to this growth as e-commerce has grown faster than physical stores.

### Profitability

**Target: ≥ 4.5%**  
**Outcome: 4.7%**

The operating margin will be at least 4.5% over the long term. In 2021, the target was raised from the previous level of a minimum of 4.0%. The operating margin in 2021 was 4.7% (4.7).

Operating margin, %



**Comments**

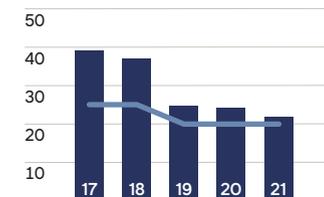
The previous profitability target has been exceeded for several years. However, as a consequence of the acquisition of Bergendahls Food, the operating margin will be lower for a period of time. With the investments being made in logistics, together with the development of the store chains, conditions have nevertheless been created for increased profitability over time.

### Financial position

**Target: ≥ 20%**  
**Outcome: 21.8%**

The equity ratio is to amount to at least 20% at year-end. The target was revised in 2019 as a consequence of adoption of IFRS 16. As of 31 December 2021, the equity ratio was 21.8% (24.3).

Equity ratio, %



**Comments**

Axfood has a solid balance sheet, and the business model generates stable cash flow. The aim is to maintain a strong financial position and thus the scope and flexibility to make investments that will lead to long-term benefits for the Group.

TARGETS AND OUTCOMES

# Sustainability targets

## Gender equality

**Target: 40%**  
**Outcome: 32.3%**

Axford will have an even long-term gender breakdown in management positions, defined as men and women being represented within a range of 40%–60%. In 2021, the share of women in management positions was 32.3% (33.2).

Share of women in management positions, %



**Comments**  
Axford is a values-governed company that aspires to reflect society as a whole. Axford strives for an even gender breakdown among its employees, and ambitious and long-term targets ensure that the Company is working toward a more even balance between men and women in management positions.

## Diversity

**Target: ≥ 20%**  
**Outcome: 16%**

Axford's target is for at least 20% of the Group's managers to have an international background. In 2021, 16% (15) of Axford's managers had an international background.

Share of managers with international background, %



**Comments**  
Axford endeavours to reflect the diversity found in society, and offers all of its employees fair opportunities to contribute and grow professionally. Axford strives for a broad international representation among its employees.

## Sickness-related absence

**Target: ≤ 5.3%**  
**Outcome: 6.7%**

Sickness-related absence among Axford's employees is not to exceed 5.3%. In 2021, sickness-related absence amounted to 6.7% (6.8).

Share of sickness-related absence, %



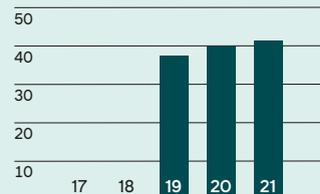
**Comments**  
Axford will offer its employees a healthy work environment with good working conditions that contribute to a low rate of sickness-related absence. Sickness-related absence during the year was higher than the Group's target and continued to be affected by the Covid-19 pandemic. Up until 2020, the target work attendance rate for Axford's employees was at least 95%.

## Carbon footprint

**Target: net zero**  
**Outcome: 41,336 tonnes**

Axford will have net zero emissions from its own operations by 2030 at the latest. In 2021, total greenhouse gas emissions (Scope 1, 2 and 3) amounted to 41,336 tonnes of CO<sub>2</sub> equivalents (39,754).

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



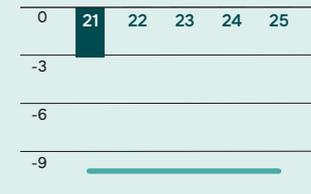
**Comments**  
The climate target helps to limit the emissions of greenhouse gases to meet both national environmental goals and the Paris Agreement. The Group's carbon emissions are offset by measures to capture or counteract equivalent quantities of emissions, bringing the Group's total carbon footprint to zero.

## Electricity consumption

**Target: -10%**  
**Outcome: -3%**

Axford's electricity consumption is to decline 10% per square metre by 2025 (base year 2020). In 2021, electricity consumption per square metre decreased by -3% compared with the base year.

Accumulated change in electricity consumption kWh/sq. m., %



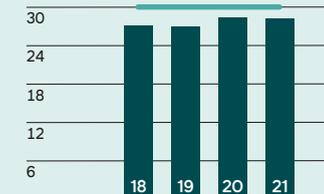
**Comments**  
Axford's operations require a considerable amount of electricity for lighting, cooling, freezing and ventilation. Electricity consumption is monitored, followed up and measured using a joint control system.

## Sustainable assortment

**Target: 30%**  
**Outcome: 28.1%**

By 2025, the share of sustainability-labelled products as a percentage of the Axford Group's store sales will amount to 30%. In 2021, sustainability-labelled products accounted for 28.1% (28.3).

Share of sustainability-labelled products, %



**Comments**  
Product markings help consumers make sustainable and healthy choices. By offering a varied assortment that includes information on the origin and ingredients of products, consumers can find products that are made in a way that takes both environmental and social aspects into account.

# Our strategy

**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.**

Axford's vision is to be the leader in affordable, good and sustainable food. This vision permeates everything that is done in the Axford family and serves as a compass for activities and decisions.

To actualise this vision, we develop and operate a family of different concepts working in collaboration and are pursuing a strategy of growth-promoting and efficiency-enhancing priorities. To promote growth, the focus is on 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 organisation through a more data-driven work approach and continuous development of logistics solutions of the future. To stay at the forefront, we need to continue building a culture that enables the industry's best employees to be attracted and develop.

In 2021, Axford established a new purpose – better quality of life for everyone – which focuses on how the Group can help to improve people's quality of life. We are working together to significantly change the role of food for everyone we impact through our different concepts, operations and brands. We can, through our food, increase enjoyment, reduce stress and help people make better choices, both for ourselves and for current and future generations. Our purpose consists of four objectives that set out the direction toward 2030. Read more about these objectives on page 14.

## Vision

A leader in affordable, good and sustainable food.

## Core values

- The store is our stage
- Together we are stronger
- We challenge
- We are aware

## Purpose

Better quality of life for everyone.

## Strategy

- Customer offering
- Customer meeting
- Expansion
- Supply chain
- Work approach
- Our people

## Business concept

A family of different concepts in collaboration.



STRATEGY OVERVIEW

## Strategic focus areas



### Customer offering

Axfood will offer an attractive assortment that is relevant, sustainable and affordable.



### Expansion

Axfood will grow in new and existing areas by establishing stores and e-commerce as well as developing new offerings.



### Work approach

Axfood is to be a customer-oriented, dynamic and sustainable organisation with a focus on efficiency and development.



### Customer meeting

With relevant concepts and high accessibility, Axfood is meeting customers' various and changing needs.



### Supply chain

Axfood will develop a sustainable product supply with high efficiency and quality.



### Our people

Axfood aspires to be the market's most attractive employer and to engage and help its employees to develop the right skills and work approach.

## Culture and core values

To be able to develop the operations in a changing market in accordance with our targets, a sound corporate culture is crucial. 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 prioritise 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

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



### Food

- Sustainable choices
- Food waste
- Good proteins



### The environment

- Smart use of resources
- Sustainable materials
- Green transports
- Sustainable farming



### People

- Sustainable suppliers
- Diversity enriches
- Healthy habits

## Sustainability in everything – food, the environment and people

By seeing the whole picture and striving for improvements within the framework of the planet's limits, Axfood will contribute to sustainable development. Focusing on the environment, social issues and animal welfare is critical to long-term stable financial performance, while also helping ensure the creation of economic value by strengthening our brands, attracting customers and making Axfood an attractive employer. Axfood's sustainability work is therefore comprehensive and an integral part of the business within three clear areas – food, the environment and people. The focus is on safeguarding the environment, the food that is produced and sold in stores, and the people who produce, sell or consume it. Sustainability efforts are pursued systematically and strategically, with key performance indicators and targets linked to Sweden's Environmental Objectives and the UN Sustainable Development Goals (SDGs).

**28%**

Share of sustainability-labelled product sales

**1%**

Share of food waste in Axfood's stores

## CUSTOMER OFFERING



## Customer offering

Axfood will offer an attractive assortment that is relevant, sustainable and affordable.

### Priorities 2022

- Integrate the customer offering for warehouse operations in Hässleholm
- Develop and strengthen the assortment of affordable, good and sustainable food
- Develop the offering to address sector convergence
- Strengthen the price position

# An affordable, good and sustainable assortment for everyone

**Axfood offers a wide assortment of products that meet customers' diverse needs and preferences. A distinctive and relevant offering for customers in every concept enables affordable, good and sustainable food for everyone.**

Today's consumers are discerning and place high demands on quality and sustainability. At the same time, they are looking for price value, inspiration and convenient meal solutions. They also attach great importance to country of origin labelling, good animal welfare and reduced use of chemicals.

Axfood's assortment includes more than 50,000 items. Approximately 30% of the Group's sales consist of private label products, and 255 new products were launched under private labels in 2021. The rate of development in the plant-based assortment is high, and some 20 of those new product launches were plant-based products.

At Axfood, major emphasis is placed on cultivating good relationships with suppliers of branded products and private label products, and the Group's customer offering is continuously developed in close collaboration with them. Thousands of supplier negotiations are carried out each year. Suppliers appreciate Axfood as a partner and rate their collaborations highly. In order to recognise and inspire trusting partnerships that successfully make a difference, Dagab organises annual supplier meet-and-greets where the prize for supplier of the year is awarded.

### Clear focus on value for money

Price value is important for customers and a high priority in Axfood's development of the product offering. Within the respective concepts' market positions, our customer offering is built on an efficient and attractive assortment with a distinct price point.

Assortment and category work revolves around the various concepts and their respective customer groups. Growth and customer satisfaction are achieved by allowing strong global and national brands to be displayed side by side with private label products on store shelves. Collaboration

with the two purchasing organisations European Marketing 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. The products contribute to profitable growth by adding to an inviting and distinctive assortment that strengthens the Group's various food concepts. Assortment developers are innovation-driven and use niches in the market and customer data as a springboard to develop products that are at the forefront of food trends, health and sustainability. Product samples are discerningly tested, and an external consumer panel samples a large share of products before they advance to production.

Of Axfood's 24 private labels, Garant and Eldorado are the most strongly positioned with respect to quality and price. Garant is a well-known brand with a distinct added-value profile and is regarded as a trusted choice with respect to quality. Axfood's brand surveys show that nine of ten Swedes between the ages of 18 and 64 are familiar with Garant. Loyalty is similarly high and nine of ten Swedes who have purchased a Garant product are prepared to do so again. Eldorado aims to be the best discount alternative with a focus on basic products. The products are quality assured and meet stringent sustainability requirements at the same time as they are often sourced from a broad base and are inviting in terms of design and appearance. Axfood's brand surveys show a positive trend in terms of approval and the desire to repurchase Eldorado products in the past few years.

## CUSTOMER OFFERING

**Innovative new products**

Axfood collaborates with local companies, entrepreneurs and researchers to develop the food of the future. Urban Deli became the first restaurant in Sweden to serve sustainable bream mince from fish captured in Lake Mälaren and Lake Vänern after an innovative method for deboning made cooking with bream possible. During the year, a new plant-based alternative to meat, Cashewmeety, was launched through a partnership, which makes use of the residual products from cashew production.

To uphold the distinct profiles of the Garant and Eldorado brands, the assortment is complemented with a number of other private labels that all serve their own functions. During the year, Redo and Mevolution were launched. Redo simplifies daily life with quality prepared meals and meets the increasing demand for flexible meal solutions. In response to the increased demand for hygiene items, Mevolution has developed carefully selected and affordable personal care and dental care products. For Gastrino, the private label brand for restaurants and food service operators that was launched in 2020, the assortment was expanded with new launches.

**Flexible and simple meal solutions**

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 as our offering of warm food in stores is growing. In addition to the assortment under the new Redo brand, the Group launched a number of products in the chilled meal solutions category during the year such as various complete meals, pizza dough, condiments and several vegan products. Products launched in the deep-freeze assortment included a pea falafel made from Swedish yellow peas and new varieties of mince and sausage.

**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. Axfood is striving to stay at the forefront in this regard. It is required that the Group's thousands of suppliers around the world adhere to the Code of Conduct in the areas of human rights, working conditions, the environment and anti-corruption. Read more about Axfood's sustainability work in the supply chain on pages 100-104.

Axfood's selection of private label products gives a competitive edge that strengthens the Group. Garant and Eldorado have the strongest positions and are well-known brands among consumers. Garant has a distinct added-value profile and Eldorado aims to be the best discount alternative.

# 31%

Share of private label products of store sales

# 255

Number of product launches in private label products

**Mevolution – new private label brand in personal care**

During the year, Axfood launched a new private label brand in personal care, Mevolution, in response to the increasing consumer demand for hygiene items. The carefully selected and affordable range includes hand soap, shower cream, shaving care products, oral hygiene products, organic cotton and a perfume-free line for sensitive skin certified by the Nordic Swan Ecolabel and the Swedish Asthma and Allergy Association. The products have a modern design and inspire a better everyday life.





## Customer meeting

With relevant concepts and high accessibility, Axfod is meeting customers' various and changing needs.

### Priorities 2022

- Accelerate development of digital customer meeting
- Develop and optimise the store network
- Develop customer meeting with respect to sustainability and health

# Customer experience in focus

**It should be easy and convenient for customers to shop for affordable, good and sustainable food, no matter the time, place or circumstances. With a high degree of accessibility, Axfod is there for everyone – 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 consumers prefer to do their grocery shopping. It is therefore important to offer a variety of concepts and channels that allow consumers' own preferences to steer their food purchases.

### Modern and accessible stores

Axfod's stores must be accessible to customers so that it is convenient and easy to shop. With the help of a broad contact network in the real estate sector, own forecasts based on data analytics and own customer data, areas can be identified where the Group's store concepts can add value. Just as important as the stores being at the right locations are personal customer meetings, where the employees are the front-line ambassadors.

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

### Broad e-commerce offering

Axfod has a strong digital presence with a mix of omnichannel players and pure-play e-commerce retailers. It is important that customers feel at home 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.

An important aspect in e-commerce involves catering to customers' varying preferences for how, when and where they want their orders delivered. The food concepts offer flexible delivery alternatives, and an important part of meeting customers' needs is being able to offer home delivery as well as store pick-up.

### Popular customer programmes

Willys and Hemköp have entirely digital loyalty programmes, with a total of almost five million members. The majority of sales are made through these customer programmes, and personal offers based on previous purchasing preferences are directed to customers digitally.

Willys Plus is a popular loyalty programme that surpassed three million members during the year, an increase of approximately one million members in the past five years. Data is used to create better campaigns. All campaign materials are uniquely tailored to the individual customer to ensure the most relevant offer and content possible.

**“ Willys and Hemköp have entirely digital loyalty programmes, with a total of almost five million members.**

## CUSTOMER MEETING

Hemköp's updated Klubb Hemköp loyalty programme turned one year old in October and, since its launch, has led to increased customer loyalty through personalisation and relevance. Hemköp has an ambitious approach to sustainability issues, and the 1.7 million members of its customer club are being inspired and guided to take positive action in more areas. In addition to points awarded for all purchases, extra points are awarded for sustainable choices, such as buying organic products from Garant or switching to digital receipts. Since the implementation of Klubb Hemköp, the number of digital receipts has doubled.

Interest in Snabbgross's new Snabbgross Club store concept has been considerable since its launch in 2020. In addition to membership campaigns with low prices, customers appreciate being able to shop for unique brands and bulk packages that are not available in traditional food retail.

#### Development of the digital customer meeting

To meet evolving customer needs, Axfood is working on its core business as well as on development and innovation in new areas. One focus area for the year was to continue to scale up e-commerce to meet increased demand. Development of technical platforms for offering an even more personalised and relevant customer experience also continued.

#### Flexible in-store shopping experience

New ways are continually being introduced for using digital tools to improve customers' in-store experience. During the year, self-service checkouts continued to be rolled out to more stores and a majority of Axfood's Group-owned stores offer either self-scanning or self-service checkouts. A selection of Willys' stores also offer scanning using an app. New payment terminals were also rolled out to all Group stores, simplifying the shopping process and enabling new and relevant payment solutions.

To meet evolving customer needs, Axfood is working on development and innovation. During the year, the expansion of e-commerce continued in order to meet demand, and the technical platforms were improved to create a more flexible customer experience.

# 31%

Growth in B2C sales online



## Hemköp offers carbon footprint guidance in stores

Just over 70% of Swedes want their grocery store to provide them with guidance on choosing products that are good from a climate perspective. With this in mind, Hemköp became the first company in the industry to assume a holistic approach and offer carbon footprint guidance throughout stores. As part of a pilot test carried out during the year, a number of stores were supplied with signs that provide tips on, for example, seasonal fruits and vegetables, plant-based protein sources and dishes made from rescued produce. The choices, calculations and information on climate impact presented in these guides are quality assured by the research institute RISE.



## EXPANSION



## Expansion



Axfood will grow in new and existing areas by establishing stores and e-commerce as well as developing new offerings.

### Priorities 2022

- Expand store network and e-commerce
- Strengthen positions of development companies
- Convert store customers from warehouse operations in Hässleholm to Axfood's systems and processes

# Focus on continued growth

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

Axfood has a strong presence in major cities as well as the countryside, with a particularly strong performance and growth in cities and commuter areas. With a diversified portfolio of food retail concepts, the Group also has a presence in smaller cities, primarily through franchise stores.

### New establishments in attractive locations

Axfood has a presence throughout Sweden, but there is still potential for expansion of new stores. Geographic location and the infrastructure surrounding a physical store are of major importance for reaching customers. The ability to identify locations that are accessible and easy to reach for consumers is crucial for a successful establishment. Movement patterns and purchasing power are analysed to establish 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, ten new Group-owned stores and seven franchise stores were established. At the end of the year, Axfood had a total of 316 Group-owned stores and 264 franchise stores.

### Significant interest in e-commerce continues

Axfood's store network offers customers a high degree of accessibility, even for pick-up of online orders. Interest in purchasing food online is significant, and store pick-up has proven to be the most popular delivery option, allowing customers to pick up their groceries when it suits them. However, growth in e-commerce was significantly lower than in the preceding year, partly as a result of high comparison figures but also due to the easing of restrictions related to the pandemic and the fact that many customers returned to shopping in physical stores.

During the year, online shopping was rolled out to an additional 22 Willys stores and 22 Hemköp stores. At year-end, 126 Willys stores in 77 cities and 70 Hemköp stores in 42 cities offered online shopping. The online grocery store Mat.se offers home delivery of groceries to consumers in Stockholm and Gothenburg. Middagsfrid offers a range of pre-planned

meal kits complete with recipes. All 27 Snabbgross stores offer e-commerce to B2B customers. The online pharmacy Apohem experienced strong growth during the year and continued to see a significant increase in its customer base.

### New locations for Snabbgross Club and Willys Hemma

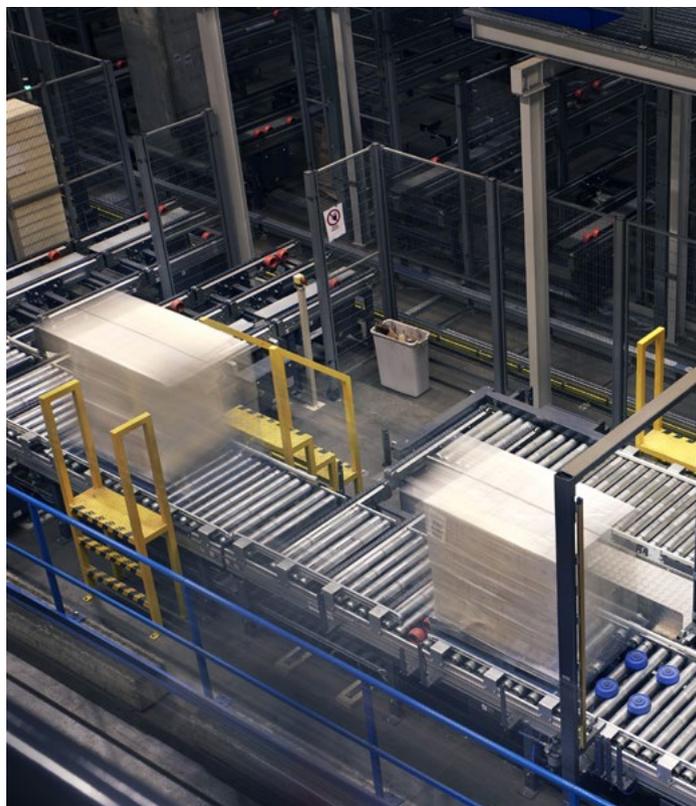
Axfood's latest Snabbgross Club store concept was launched at the end of 2020 with the establishment of the first store in Enebyängen, north of Stockholm. As a Snabbgross Club member, private individuals can buy food and household items directly from the restaurant wholesaler and gain access to a unique and attractively priced assortment in bulk packaging as well as customised special offers. For B2B customers, the store works like any other Snabbgross in addition to allowing these customers to join the membership club and benefit from favourable offers. In 2021, Snabbgross Club continued to be well received by customers and an additional store was opened in Södertälje. In parallel with assessing possible new store locations, work is ongoing to identify existing Snabbgross stores that could be converted into Snabbgross Club stores.

A priority for the year was to increase the pace of establishment of the popular Willys Hemma store format. At Willys Hemma, customers can find good food at low prices in stores that are located near residential areas, city centres or in smaller cities. During the year, two new stores were opened and four agreements for new locations were signed.

### Conversions of Hemköp and Tempo stores

The number of Hemköp franchise stores can vary somewhat from year to year depending on agreements and continuous evaluation of which form would enable a particular store to best strengthen Hemköp's position in the market. Hemköp has a financing programme known as "91/9" that enables selected store managers to acquire a store. Three Group-owned Hemköp stores, net, were converted into franchise stores during the year.

## SUPPLY CHAIN



## Supply chain

Axfood will develop a sustainable product supply with high efficiency and quality.

### Priorities 2022

- Integrate operations in Hässleholm with Axfood's processes
- Streamline and develop future transport solutions
- Develop future warehouse structure
- Streamline e-commerce logistics

# Significant steps toward the logistics of the future

Changed consumption patterns, more digitalisation and the importance of contributing to a sustainable future are driving the development of a more sustainable and efficient supply chain. With eleven warehouses and a well-developed fleet of its own delivery vehicles, Axfood supplies products to stores and e-commerce customers throughout Sweden.

To create an even more sustainable, efficient and competitive product supply, Axfood took significant steps in the development of a top-class nationwide logistics platform during the year. In the coming years, the e-commerce warehouse in Backa in Gothenburg will be moved and automated, a new fruit and vegetable warehouse in Landskrona will be established and partly automated, and the high-bay warehouse at the Backa, Gothenburg distribution centre will be expanded to include automation. These investments will complement the new logistics centre that is being constructed in Bålsta, north of Stockholm, and will strengthen the entire Axfood family.

### Modern and efficient logistics

Dagab is Axfood's purchasing and logistics company and is responsible for the Group's product flow. From nine store warehouses, goods are distributed to the Group-owned stores and external customers, such as franchise 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 more than 150 heavy-duty trucks that deliver goods from the Group's warehouses to stores across the entire country. Approximately half of all volumes are 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-duty trucks, Dagab has more than 100 light trucks and vans for e-commerce deliveries.

### Logistics centre in Bålsta taking shape

Work on the new, highly automated logistics centre in Bålsta is proceeding on schedule, and the automation provider Witron began installing the

automation solution during the year. The facility is planned to be fully operational in 2023 and will be one of the largest and most modern in Europe for the distribution of groceries to stores as well as to e-commerce customers. The investment is unique in that 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 optimisation of the product flow through a faster and more flexible supply chain. Underlying processes will also be made more efficient, which will help reduce food waste. The logistics centre will handle about 60% of Dagab's volumes, and space is being built to further increase capacity by at least 40% compared with 2019 volumes. The new capacity will affect the current structure, and warehousing operations in Borlänge, Jordbro, Skellefteå, Sättra, Årsta and Örebro will all be moved to Bålsta.

### Major new logistics investments in southern Sweden

In Gothenburg, Axfood will build an all new, highly automated e-commerce warehouse adjacent to the distribution centre in Backa. An agreement has been signed with the automation provider Witron to deliver the automation solution, which will have five times higher capacity than the existing warehouse. The new warehouse is expected to be completed by year-end 2024 and will be fully operational during spring 2025. Until then, the Group's existing dark store in Västra Frölunda will continue to be developed. The new warehouse will significantly increase capacity as well as efficiency compared with the existing dark store, where picking is done manually.

## SUPPLY CHAIN

To add additional pallet space and meet future volume growth, Dagab's existing high-bay warehouse at the Backa distribution centre in Gothenburg will also be strengthened and expanded to include two new automated aisles. This will increase the total capacity by approximately 30% and ensure that the warehouse will be able to handle future growth.

To further develop and streamline operations and accommodate future volume growth, Axfood is constructing a new, larger nationwide warehouse for fruit and vegetables in Landskrona that will be partly automatised. The new warehouse has good infrastructure, and will replace the existing nationwide warehouse in Helsingborg, supplying products to all of Sweden. Manual order picking is expected to be up and running by the end of 2022. The automation solution is expected to be fully operational in 2024.

#### More efficient transports through new transport solution

As a step toward a more sustainable and efficient transport model, the implementation of the Group's new transport management system (TMS) is under way. The new system enables route optimisation, gives a broader overview of transport flows and manages flows to both stores and e-commerce customers. The system also offers consumers improved order tracking. The TMS is being implemented gradually and will eventually be integrated with the new logistics centre in Bålsta in 2023.

#### Green transition of delivery fleet

Emissions from own transports account for a large share of the Group's total carbon footprint. High demands are placed on safe work and traffic environments and on reducing the carbon footprint by promoting eco-driving and transitioning to sustainable fuels. All Group-owned trucks can be driven on fossil-free fuels. An important step in the journey toward fossil-free transports was taken during the year when the Group's collaboration with Scania entered a more advanced phase through an investment in Scania's first series-production, fully electric heavy-duty truck in Sweden and an all-new plug-in hybrid. The trucks are now delivering groceries to stores in the greater Stockholm area. Investing and participating in the development of electric trucks is a key part of Axfood's work on becoming exclusively fossil-free.



## Optimisation of the logistics platform

Axfood's logistics investments in the coming years will form the basis of an efficient, flexible and supportive product supply and a stronger customer offering for the Group's store chains and external customers. By far the largest investment is the new highly automated logistics centre in Bålsta, outside Stockholm. In 2022, the property will be completed and the ramp-up will begin, with automation expected to be fully operational in all areas of the warehouse in 2023.

## The logistics centre in Bålsta

- Fully operational in 2023
- Total area of 104,000 sq. m., 30 metres maximum height
- Handling of 60% of Dagab's volumes, room to increase capacity with at least 40% compared to the volumes in 2019
- Deliveries to stores and e-commerce

## WORK APPROACH



## Work approach

Axfood is to be a customer-oriented, dynamic and sustainable organisation with a focus on efficiency and development.

### Priorities 2022

- Establish and develop the partnership with City Gross
- Develop, streamline and modernise work approach and tools
- Manage the integration of warehouse operations in Hässleholm

# Data driven and digital

**Food retail is undergoing a shift, with digitalisation and automation high on the agenda. Axfood is addressing growing competition and new customer demands by working both faster and more strategically with data.**

Axfood's IT company has over 300 employees that with new solutions in digital development and automation creates value and efficiency. This enables the Group to be at the forefront in terms of development and new technology in areas such as the digital customer meeting, online shopping and work approach.

To adopt a more agile work approach with quality and high value to the business, cooperation and development takes place cross-functionally between companies, departments and experts in product area teams. The work of engaged employees leads to solutions, flexibility, and more satisfied consumers and users. In projects, steering committees represent the entire Group to ensure an overall perspective.

### Data-driven organisation

A data-driven work approach is being developed and permeates the entire organisation. With the help of data and analytics, communication is becoming personalised and customers can be offered more relevant products and offers.

Axfood has invested in building up internal competence in advanced analytics of customer data in its category and purchasing work. Data analytics is allowing better management of the assortment and prices while making customer offers more personalised. To improve processes and create a more efficient and attractive offering, the Group's IT platforms were updated during the year. The project was conducted to improve the campaign and assortment process and entails a higher degree of automation and better decision-making documentation with data and analyses.

### Efficiency with a digital work approach

All employees have their own digital identity. This creates favourable conditions for internal communication and targeted information and training based on the user's company affiliation, workplace and role.

In stores, a growing array of digital tools are being adopted by the employees. Automated orders enable the correct amount of items to be ordered at the right time. Hand-held computers have also been introduced and are used to efficiently identify products that will soon expire. These initiatives provides better control over the assortment while contributing

to reducing food waste. Finger scanners can be used in store to quickly and easily scan products when online shopping orders are assembled.

During the year, a new modern, fast, and flexible cash register system was implemented in all of Axfood's chains and stores across Sweden, corresponding to more than 4,000 new cash registers and payment terminals. The new cash registers are more robust and have a future-proof operating system.

The Group's time and staffing system enables analysis and optimisation of staffing. Store employees are able to swap shifts, apply for holidays, view their schedules and see when they clocked in and out using an app.

Through digital training courses, guides and engaging content, employees are urged to continuously develop their digital literacy. Post-pandemic normal life provides the conditions for employees to work remotely to a greater extent than before.

### 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. Robots take care of tasks such as quality control, final approval of employment flows and recruitment screening. Robotic process automation (RPA) is giving rise to a host of benefits. Processes are being streamlined and standardised at the same time as employees are being relieved of time-consuming tasks.

The Group's objective recruiting process is contributing to systematic change by countering unconscious bias and making sure the right people are found for the right positions.

# 300

**Axfood IT enables new solutions within digital development, automation and a data driven work approach and today has more than 300 employees**

## OUR PEOPLE

# Everyone can grow at Axfood

**Axfood is continuing to develop a winning culture in which employees thrive and develop. To attract and retain the right competencies, the Group needs to stand out as a great place to work.**

Axfood has more than 12,000 employees (FTEs) and promotes a culture in which employees are actively committed and act based on deep-rooted core values. In the past few years, Axfood's reputation as a stable and secure employer that makes a difference has been further strengthened – making it attractive to those who have already begun their careers and to the employees of the future. During the year, Axfood registered 333,705 applications for the 1,965 positions in total posted within the Group. This represents an average of 170 applicants per position. Axfood is climbing the lists of the most attractive employers presented by Universum, a consulting agency within employer branding, and the recruitment company Academic Work.

## Growing together

Being part of a large group offers many development opportunities, and there is a belief within the Axfood family that everyone can grow, regardless of their position. Senior managers and new store employees can and want to develop when the right conditions are in place. Employees are encouraged to develop personally and to try different positions and roles within the Group.

Axfood Academy, with both internal and external instructors, is the Group's centre for continuing education and skills development. Courses focus on various roles in stores, warehouses and offices. Axfood Academy has long worked with the vision to move learning out into the operations, which research shows has the greatest effect. Many courses are now partly or fully remote.

Axfood is a growing group that is in constant need of new leaders. The courses help employees develop into team leaders and store managers. Through various activities, such as instructor-led training, e-learning, manager coaching and various exercises performed in stores, employees are prepared to take the next step in their careers in Axfood.

## Reflection of society

Axfood endeavours to reflect the diversity found in society, and offers all of its employees fair opportunities to contribute and grow professionally. Axfood aims to be an inclusive employer where everyone is treated with respect based on their unique circumstances. Inclusion is deeply rooted in the Group's culture.

The Company has a clear aspiration to have a diversity of representation at all senior levels, which is a major competitive advantage in today's heterogeneous society. A diversity of perspectives and ways of solving problems provides innovative strength and increases knowledge. This makes the Group even better at meeting customers' varying needs. It is also a reflection of what job candidates are looking for today, namely meaningful work with values that match their own.

**“ Axfood promotes a culture in which employees are actively committed and act based on deep-rooted core values.**



## Our people

Axfood aspires to be the market's most attractive employer and to engage and help its employees to develop the right skills and work approach.

### Priorities 2022

- Integrate employees at the operations in Hässleholm
- Attract and develop expertise
- Develop culture
- Develop leadership and collaboration
- Strengthen a sustainable work life

## OUR PEOPLE

Axford works with objective and fair processes for finding new employees, where competence rather than age, gender and background is what is important. Succession planning is part of these efforts to fill the pipeline of management candidates and achieve the Group's diversity and gender equality targets. Axford's goal is that the breakdown of men and women in management positions will be in the range of 40–60%. The gender distribution of the Executive Committee is 50% women and 50% men, an achievement recognised through Axford's placement on AllBright's green list of gender-diverse listed companies.

**A sustainable workplace**

Axford encourages and promotes measures for improved health and a higher work attendance rate instead of working reactively to sickness-related absence. An annual follow-up is carried out in the form of an internal work environment audit, which forms the basis for any measures taken.

The health and well-being of employees is the top priority, and work to ensure a safe and secure workplace during the pandemic – whether it be in stores, warehouses or offices – continued during the year.

A system for reporting accidents and safety incidents was also introduced throughout the entire Group. Managers, safety representatives and HR use the system to evaluate, remedy and follow up on risks, incidents and accidents. The system helps to detect risks and remedy them before they lead to accidents. The system has been used in warehouses for several years and now stores and support offices have also received access to the same system.

System support was also implemented for managers to help them address sickness-related absence 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 Axford the opportunity to follow up sickness-related absences based on several aspects in order to then be able to take specific actions.

## Our employee promise

**Our differences in the Axford 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 Axford

# 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 in new ways. 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 Axford 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 we create better quality of life

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 better quality of life for all we meet and have an impact on.

# 05

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

We are a unique group with different concepts in 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, we are stronger together.

# Risks and risk management

**Like all business activities, Axfood's business is exposed to risks. Risks are something that can affect Axfood's operations negatively. Managed properly, however, they can also add value. How risks are managed is therefore of great significance. Axfood breaks down risks into operational, strategic and financial risks.**

## 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. 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. An assessment is made of the changed level of existing risks as well as of potential new 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 as part of the continuing work of the Board of Directors and Executive Committee.

Risks are classified according to how well countermeasures are implemented, and are colour-coded into green, yellow and red 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 on planned countermeasures and consolidating the risks identified by the respective risk owners. A compilation is made centrally and coincides with the timing of the Group's business plan, which facilitates budgeting for decided countermeasures. For a description of the organisation, governance and reporting of Axfood's risk management, see the illustration.

## Incident management

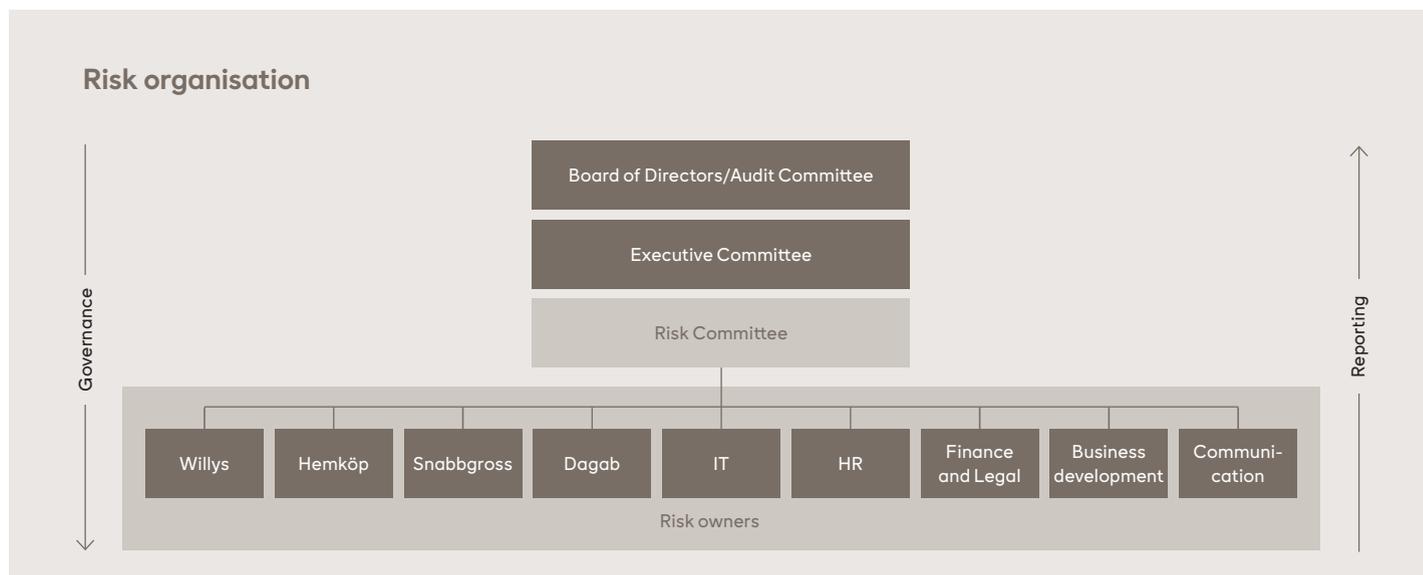
Incident reporting systems are in place for the Group. Through these systems, a compilation is made that provides documentation for determining how operational risks are to be prioritised and managed effectively and systematically.

## 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, cyberattacks, transports, and directors and senior executives liability. Prior to 2022, Axfood renewed all of its insurances.

## Crisis management and continuity plans

Axfood 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 intended 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 minimise acute damage in a situation in which normal procedures are insufficient. For events in which a crisis risks being drawn-out, Axfood works preventively and actively with continuity plans to minimise the duration of any business interruption.



## RISKS AND RISK MANAGEMENT

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

### Strategic risks

Risk	Main risks	Management	Trend	Insured <sup>2)</sup>
A	Market risks	Continuous analyses, such as customer and consumer surveys, which together with other analyses form the basis of the Group's strategies.	←→	n/a
B	Acquisition risks	Very thorough market analyses of, for example, competition and demographics, where every investment calculation stretches over several years. The acquisition of Bergendahls Food is handled in a special integration project that will continue throughout 2022.	←→	n/a
C	Supplier risks	Alternative solutions are evaluated on a regular basis. Multiple suppliers of a particular product or ingredient, 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 to identify deviations that could result in disruptions. High demands are placed 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 a 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. In connection with 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 of disruptions in the logistics chain	Very high focus is placed on systematic fire safety work. Major emphasis on an effective fire safety organisation with preventive measures such as training, pertinent procedures, technical fire safety, and recurring inspections and follow-up.	←→	✓
G	IT and information security risks	Major emphasis is placed on preventive work and continuity planning. Operations of stores, warehouses and offices are secured through redundant systems with a geographic spread of operations. High awareness about information security issues, with measures such as training, technical solutions and the implemented information security strategy.	↑	✓
H	Risk of labour market conflicts	Coordination and dialogue via employers trade organisations. Long contract periods, reducing the risk of 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 procedures for food handling.	←→	✓
J	Climate and environmental risks	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	Handling the Covid-19 pandemic	The work on minimising disruptions over the longer term is continuing, and the respective operations are monitoring and working continuously to deal with the impacts of the Covid-19 pandemic. Ensuring the health and safety of employees and customers has been the top priority at the same time as the Group lived up to its societal responsibility.	←→	✓
L	Risks related to threats and violence	Extensive preventive safety work including training, procedures, and technical and human resources for being able to handle various situations, such as shoplifting.	←→	✓
M	Risks of 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

1) Financial risks, see Note 26. 2) Fully or in part.

## Operational and strategic risks

### (A) Market risks

Axfood operates in a competitive and dynamic market that requires a flexible and agile organisation to meet new customer needs and behaviours. To stay up to date with competitors' activities and new trends, the market is constantly monitored. For example, customer and consumer surveys are conducted regularly, 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, for example, prior to an acquisition having been carried out, there is a risk that this could have a negative impact on Axfood's earnings and brand. With respect to acquisitions, a well-executed integration and retaining key persons are also important. 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, the external operating environment as well as the operation's profile are analysed from ethical, social and environmental aspects, among other things.

In 2021, Axfood acquired the wholesale business Bergendahl Food. A special integration project has been established and integration will be a main focus throughout 2022.

### (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, food and product safety, 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 as high demands are placed 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) Handling the Covid-19 pandemic.

### (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 Group'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 at the local level. In connection with new laws or regulations, measures are decided on well in advance of enactment.

### (E) Employee risks

The food retail industry is undergoing a rapid pace of change and digitalisation. Change management, skills development and attracting sought-after competencies are growing increasingly important. One currently pertinent and major change facing Axfood is that certain of Dagab's existing warehouses will be replaced by a new logistics centre in Bålsta, outside Stockholm.

Recruiting, developing and retaining competent and committed employees is highly important for Axfood and necessary for the Group's expansion and performance. To counter the negative effects of losses of

key persons, the Company works continuously with succession planning. Axfood also devotes a great deal of focus to diversity and inclusion throughout the Group. All workplaces are to be free from all forms of discrimination and offensive treatment, which is clearly specified in the Group's equal treatment policy. Axfood is to be an attractive and sustainable workplace where the focus on a constructive, healthy and inclusive work environment is fundamental.

### (F) Risk of disruptions in the logistics chain

One of the most serious business risks that the Group must manage is the risk of disruptions in the logistics chain, especially the risk of fire in its distribution centres, which would result in property loss and business interruption losses. Axfood devotes a great deal of focus to its systematic fire safety work and places considerable emphasis on maintaining a well-working fire safety organisation with preventive measures such as adequate training and pertinent procedures, 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 Risk (G), IT and information security risks.

### (G) IT and information security risks

Digitalisation presents major opportunities but at the same time places greater demands on the ability to protect critical information and ensure stable IT operations. Information security is therefore a prioritised area and a natural part of the strategic agenda. Digitalisation increases complexity and the risk of making mistakes when changes are made in the IT environment. There is also an increased amount of data for processing and automation. A marked increase in cybercriminal activity has also been noted in the last few years. Major emphasis is therefore placed on preventive work and the organisation to detect, handle and protect the Group's operations from threats and disruptions as well as on ensuring operational continuity in case of unforeseen events. During the year, this work was taken a step further through the introduction of a new cyber security strategy as a part of the Group's IT strategy. Axfood works continuously on raising awareness of the risk of operational disruptions or losing sensitive data.

## RISKS AND RISK MANAGEMENT

### (H) Risk of labour market conflicts

There is a risk that labour market conflicts, such as a strike or lockout in any area of the business, could result in operational disruptions. Negotiations of collective bargaining 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 players in the Swedish food retail industry, and its ability to meet stakeholders' expectations in terms of quality, transparency, and compliance with laws and standards as well as social and ethical norms is therefore crucial for maintaining a high level of credibility. Examples of issues dealt with on a daily basis 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, there is a risk that the Group would be exposed to financial loss as well as damage to the brand. Axfood works actively with these issues, for example, through extensive internal inspection programmes at stores and quality assurance of private label products. As part of the inspection programmes, stores conduct certain daily arrival controls and temperature controls in various parts of the store. Clear procedures 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, private label products and concepts.

For Axfood's competitiveness, it is important to continually develop the assortment according to customers' needs and preferences. This can entail, for example, offering sustainable foods such as organic and plant-based products. Axfood also has a large assortment 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 consumers, combined with an inability to be sufficiently fast at adapting the assortment to changed expectations, could lead to lower sales. However, risks are also opportunities for those in the industry that are far ahead of their competitors.

Within Axfood, it is not mainly the physical risks of the impact of more extreme weather events that are the dominant risks, even though assurances must be made in connection with, for example, new investments in warehouses. On the other hand, there is a tangible risk that more extreme weather could impede purchasing work. Another risk taken into account is the failure to be sufficiently dynamic and develop the assortment at a high enough pace as consumers' growing awareness about climate issues changes their consumption habits. This risk is just as much an opportunity given a cutting-edge assortment development. Climate change can no longer be entirely prevented through climate policy measures, even though the opportunities to mitigate it are considerable. This means that the increase in extreme weather is presenting an ever-greater challenge to food production. There is a risk that drought, extreme heat, storms, floods and extreme cold could considerably reduce agricultural production in critical areas, leading to both higher prices that affect sales and difficulties in sourcing volumes to meet customer demand. To diversify this risk, it is imperative that product supply is sourced from several different geographic areas. Axfood is increasingly taking climate change into account in its purchasing work, which entails greater diversification of risk. Refer to the section on climate-related risks on pages 98-99.

### (K) Handling the Covid-19 pandemic

The ongoing Covid-19 pandemic has led to a new dimension for Axfood in terms of risk management. The risks that the pandemic has given rise to, including the risk of disruptions in the logistics chain, supplier risks and employee risks, have been managed within existing organisations in the Group without any significant disruptions in operations. The health and safety of employees and customers is the top priority, and the Group has also lived up to its societal responsibility. The work on minimising disruptions over the 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 a long-term impact, including a risk of higher unemployment and recession. This represents an uncertainty regarding

the general level of consumption, which could affect Axfood, on top of the clear negative impact that the pandemic has had on cross-border shopping, stores in other locations 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 procedures, and deployment of technical and human resources to deal with various situations, such as shoplifting.

### (M) Risks of 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 material to take into consideration in order to ensure a high level of internal control over financial reporting. A more detailed description of the work with internal control is included in the Corporate Governance Report, pages 118-126.

## Financial risks

Axfood is exposed to financial risks in the form of financing and refinancing risks, liquidity risks, interest rate risks, currency risks and credit risks. Every year, the Board of Directors adopts a Group-wide finance policy that regulates the delegation of responsibility for financial matters between the Board, the President and CEO, the CFO, Group Treasury and other Group companies. Group Treasury reports monthly to the CFO with a follow-up of the finance policy. The same report is also presented to the Board of Directors four times a year. For further information about financial risks, see Note 26.

# Five reasons to invest in Axfood

01

## Clear strategy in a non-cyclical and growing market

The food retail market is relatively unaffected by economic swings and is driven largely by population growth and inflation. Annual market growth has historically been between 2% and 3%. Axfood has a clear strategy for addressing the trends in the market through concrete priorities in six focus areas: customer offering, customer meeting, expansion, supply chain, work approach and our people. The goal is to grow faster than the market with a long-term operating margin of at least 4.5%.

02

## Family of well-positioned concepts in attractive segments

To meet customers' varying needs, Axfood is a family of different concepts with strong market positions. Willys is the leader in the discount segment, and Hemköp and Tempo are strong players in the traditional grocery segment. With its partnership with City Gross, Axfood also has a presence in the hypermarket segment. Eurocash has a clear position in cross-border shopping with Norway, and Mat.se and Middagsfrid simplify the everyday lives of online shopping customers. Axfood is firmly established in the café and restaurant market through Snabbgross and Urban Deli and also has a position in the online pharmacy market with Apohem. With a clear expansion plan, a focus on the customer meeting in physical stores or in e-commerce and the development of meal solutions, customers' evolving behaviours are being met.

03

## 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 the conditions for profitable growth and a continuous improvement of the customer offering. Axfood's common IT company have a crucial role in the Group's digital development, automation and data-driven work approach to meet future needs.

04

## Strong financial position and stable cash flow

Axfood has a solid balance sheet, and the business model generates stable cash flow with efficient management of working capital. During the last five years, the dividend yield has averaged 4%. According to Axfood's dividend policy, the shareholder dividend is to be at least 50% of profit after tax and is to be paid out on two occasions. Axfood's gearing is low, and excluding the accounting effects of IFRS 16, the Group's net debt divided by EBITDA amounted to 0.4 at year-end 2021.

05

## Positive force in society

Axfood has long been working to be a positive force in society. This means offering affordable, good and sustainable food for everyone and being an inclusive business that is conducted in a responsible way, not least with respect to reducing the Group's environmental impact. Axfood is taking the lead in promoting a sustainable food system, and innovative and sustainable products are being launched through the private label assortment. Decision-makers, politicians and authorities are engaged in an ongoing dialogue on how the industry can be developed.

“Axfood is a stable company with strong brands, a historically strong return and profitable growth.”



Financial statements

# Strong financial position and stable cash flow

# Administration report

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

The Board of Directors and President of Axfood AB (publ), with its registered office in Stockholm, Sweden, herewith submit the Annual Report and consolidated financial statements for the 2021 financial year.

### Operations

Axfood is a leading food retail group in Sweden. The Axfood Group includes the Willys and Hemköp chains as well as Tempo and Handlar'n. B2B sales are conducted through Snabbgross, while Dagab is responsible for the Group's assortment, purchasing and logistics. Axfood also includes Mat.se, Middagsfrid and Urban Deli as well as the partly owned companies Eurocash, Apohem and City Gross.

Operations are broken down into four operating segments. In addition to Willys and Willys Hemma, the Willys segment includes Eurocash and the associated company City Gross. The Hemköp segment includes the Group-owned Hemköp stores and the central functions that support the Hemköp and Tempo franchise stores. The Snabbgross segment includes the wholesale business in Snabbgross and the retail operations in the membership-based Snabbgross Club stores. In addition to Dagab's purchasing and logistics operations, the Dagab segment includes Mat.se, Middagsfrid, Urban Deli and the associated company Apohem. Approximately 70% of Dagab's sales are made to Group-owned stores. Dagab also conducts B2B sales to mini-marts, service stations and other convenience retailers. See pages 38–45 for more information on the Group's segments.

The number of Group-owned stores at year-end was 316 (310). During the year, ten Group-owned stores were established or acquired, and a net total of four Group-owned stores were closed or converted to franchise stores. Apart from online sales via Mat.se, Willys, Hemköp and Snabbgross also offer online sales. In addition to Group-owned stores, Axfood collaborates with a large number of franchise stores that are tied to Axfood through agreements, including stores in Hemköpskedjan, but also stores operating under the Tempo and Handlar'n brands. Since 1 October, City Gross has been an associated company within the Group. In all, more than 600 retailer-owned stores are tied to Axfood through agreements.

Axfood's assortment also includes private label products, where Garant is the brand with the most products. In 2021, private label products accounted for 30.9% (30.9) of store sales.

### Important events

– A large part of the year continued to be characterised by changed shopping behaviours among customers as a result of the 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 an expo-

sure to cafés, restaurants and cross-border shopping as well as businesses with central urban locations were negatively affected.

- On 1 October, Axfood completed the acquisition of Bergendahl Food AB and a minority stake corresponding to 9.9% of the shares in City Gross Sverige AB. The integration of Bergendahls Food into Dagab began when the transaction was complete. City Gross will continue to be a standalone grocery chain, but will be integrated with Axfood's IT system and will be supported by the new, coordinated purchasing and logistics operation in Dagab through a 15-year delivery and cooperation agreement.
- Several agreements were signed during the year to ensure an even more sustainable, efficient and competitive product supply. A new, larger nationwide warehouse for fruits and vegetables is being established in

Landskrona and is expected to be fully operational in 2022. Parts of the warehouse will be automated and are expected to be fully operational in 2024. A new, highly automated dark store will be established in Backa in Gothenburg. The dark store is expected to be completed by year-end 2024 and will be fully operational in spring 2025. The existing high-bay warehouse in Backa will also be expanded to include two new automated aisles. Work on the Group's new, highly automated logistics centre in Bålsta is proceeding on schedule, and installation of the automation solution began during the year. The logistics centre is expected to be fully operational in 2023.

– A partnership was entered into with Alight to build Sweden's largest solar park. When the facility is put into operation, it will cover approximately 15% of Axfood's annual electricity consumption.

## Store sales and store structure

Store sales (including e-commerce) <sup>1)</sup> SEK m	2021	2020	Change	Change like-for-like
<b>Willys total</b>	<b>32,426</b>	<b>31,797</b>	<b>2.0%</b>	<b>0.0%</b>
Hemköp Group-owned	6,085	6,241	-2.5%	1.3%
Hemköp franchises	9,324	8,916	4.6%	1.0%
<b>Hemköp total</b>	<b>15,409</b>	<b>15,157</b>	<b>1.7%</b>	<b>1.1%</b>
<b>Store sales, Axfood Group</b>	<b>47,835</b>	<b>46,954</b>	<b>1.9%</b>	<b>0.3%</b>

1) The table above shows reported store sales excluding accounting adjustments mainly attributable to customer bonuses.

Change in store structure Number of stores	31 Dec 2020	New establishments /acquisitions	Sales/closures	Conversions	31 Dec 2021
Willys <sup>1)</sup>	219	7	–	–	226
Hemköp	65	2	-1	-3	63
Snabbgross	26	1	–	–	27
<b>Total, Group-owned stores</b>	<b>310</b>	<b>10</b>	<b>-1</b>	<b>-3</b>	<b>316</b>
Hemköp franchises	133	1	-3	3	134
Tempo franchises	126	6	-2	–	130
<b>Total, Group-owned and franchises</b>	<b>569</b>	<b>17</b>	<b>-6</b>	<b>–</b>	<b>580</b>
<sup>1)</sup> Willys	162	4	–	2	168
<sup>1)</sup> Willys Hemma	50	2	–	-2	51
<sup>1)</sup> Eurocash	7	1	–	-1	7

## ADMINISTRATION REPORT

- On 14 December, it was announced that Axfood was entering into a strategic partnership with Mathem and will become a co-owner of the company as Axfood divests Mat.se in exchange for shares in Mathem, equivalent to a shareholding of 16.5%. Completion of the transaction was subject to approval by the Swedish Competition Authority, which was received on 9 February 2022. The transaction will be completed 1 March 2022.
- Through investments in logistics and development of the chains, favourable conditions have been created for increased profitability over time. As a result, the Group's profitability target has therefore been raised to a long-term operating margin of at least 4.5% (previously at least 4.0%).

### Net sales and earnings

#### Net sales

Axfood's net sales totalled SEK 57,891 m (53,696), an increase of 7.8% (5.8) compared with the preceding year. The acquired business Bergendahls Food contributed SEK 2,672 m. The increase in net sales excluding Bergendahls Food is mainly attributable to higher net sales for Willys, Snabbgross and Dagab. Store sales accounted for 73% (77) of net sales and external B2B sales for 27% (22). Store sales for the Axfood Group increased by 1.9%, with a 0.3% rise in like-for-like sales. Net sales in e-commerce totalled SEK 3,703 m (2,827), an increase of 31.3%. The Group's gross margin was 15.5% (15.9).

#### Earnings

Operating profit totalled SEK 2,704 m (2,510), corresponding to an operating margin of 4.7% (4.7). The improvement in operating profit is mainly attributable to higher operating profit for Dagab, Snabbgross and Hemköp, partly offset by lower operating profit for Willys. Operating profit included SEK 2,399 m (2,252) in depreciation and amortisation. It also includes net items of SEK 14 m (–) that have been operationally reclassified to items affecting comparability. These items include revenue of SEK 112 m pertaining to payments received from Fora/AFA employer's liability insurance during the year based on previous premium payments as well as acquisition and integration costs of SEK -92 m pertaining to the acquisition of Bergendahls Food and structural costs of SEK -6 m pertaining to the upcoming restructuring of Dagab's logistics operations.

Net financial items totalled SEK -122 m (-116).

The tax expense was SEK 488 m (531), corresponding to an effective tax rate of 18.9% (22.2). The tax expense for the year was positively impacted by the lowered tax rate and a deferred tax asset pertaining to a tax credit on investments made in 2021, for which tax discounts are expected to apply in 2022.

Net profit for the year after tax amounted to SEK 2,094 m (1,862), or SEK 10.28 (9.12) per share before dilution.

### Investments

The Group's total capital expenditures amounted to SEK 1,825 m (1,031). Investments for the year include partial payments of SEK 702 m (–) pertaining to ongoing automation solutions. Investments in right-of-use assets,

mainly premises, amounted to SEK 1,740 m (1,725), of which SEK 557 m (693) pertained to newly acquired assets and SEK 1,184 m (1,032) pertained mainly to renewals of existing leases for premises and upward indexing of rents.

### Employees

The average number of employees during the year was 12,202 (11,451). The gender breakdown among employees was 53% (53) women and 47% (47) men. The share of employees in the retail operations was 67% (68), while the share who work in the wholesale operations was 29% (28).

Axfood's employees are to reflect the diversity of the Group's customers and shall all have the same opportunities for development. During the year, 28% (26) of employees and 16% (15) of managers in the Group came from an international background. Gender equality is also part of diversity work, and Axfood's long-term target is to have an even gender breakdown in management positions. In 2021, the share of women on the Executive Committee was 50% (50) and the share of women in management positions was 32% (33).

Sickness-related absence amounted to 6.7% (6.8) in 2021, which is higher than the target of 5.3%. Sickness-related absence was negatively affected by the Covid-19 pandemic.

For more information on the Group's employees, see pages 104–107.

Axfood AB and its subsidiaries that conduct business activities are bound by at least one of the six nationwide collective bargaining agreements 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. 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. Managed properly, however, they also add value. How risks are managed is of great significance. The risks that could have the greatest impact on the Group are the risk of disruptions 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 of labour market conflicts, acquisition risks and regulatory risks.

The ongoing Covid-19 pandemic has led to a new dimension in terms of risk management. The risks that the pandemic has given rise to, including the risk of disruptions in the logistics chain, supplier risks and employee risks, have been managed within existing organisations without any significant disruptions in operations.

For climate and environmental risks, it is not primarily the physical risks of the impact of more extreme weather events that dominate, even though assurances must be made in connection with, for example, new investments in warehouses. However, there is a tangible risk that more extreme weather could complicate purchasing, which is why Axfood is increasingly taking climate change into account in its purchasing work, which entails greater diversification of risk.

Axfood's operational and strategic risks are described on pages 29–32 along with the risk management process. Financial risks are described in Note 26. Climate and environmental risks are described in more detail in the section on sustainability.

### Share repurchases and transfers, and holdings of treasury shares

The 2021 Annual General Meeting (AGM) resolved to adopt a new long-term share-based incentive programme that runs over a three-year period, LTIP 2021, which in all essential respects corresponds to the previous programmes when it comes to principles and scope. Allotment was carried out for LTIP 2018 in April 2021 using treasury shares. To secure the Company's obligation for conditional performance shares under LTIP 2021, Axfood repurchased 192,000 shares for a total of SEK 45 m during the second quarter of 2021, at an average price of SEK 233.68 per share. The holding of treasury shares thereby amounts to 765,980 shares and is sufficient to secure the delivery of shares for all of the Company's incentive programmes.

A proposal has been drafted for the 2022 AGM to introduce a new long-term incentive programme, LTIP 2022, which corresponds in all essential respects to LTIP 2021, with the adjustments that the number of participants and shares is being increased and a reference group of companies has been identified to measure the share price development. The programme is proposed to include approximately 80 employees.

### Rights issue

In conjunction with the announcement of the acquisition of Bergendahls Food, it was also announced that the Group intends to carry out a new share issue of about SEK 1.5 billion, with preferential rights for existing shareholders, in order to maintain a strong financial position. The rights issue will help ensure the long-term financing for the acquisition and enable subsequent investments as a result of the integration of Bergendahls Food.

A proposal will be made to Axfood's AGM to authorise the Board to carry out the rights issue. The terms will be disclosed in conjunction with the Board's decision on the issue with the support of the AGM's authorisation. The rights issue is intended to be carried out in the second quarter of 2022.

### Guidelines for remuneration to senior executives

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

## ADMINISTRATION REPORT

**Events after the balance sheet date**

For significant events after the balance sheet date, see Note 30.

**Corporate Governance Report and Sustainability Report**

In accordance with Chapter 6, Sections 8 and 11 of the Swedish 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 scope of the statutory Sustainability Report is presented in the table on page 112. The Sustainability Report has been reviewed by Axfood's auditors.

**Future outlook**

In a changing market characterised by fierce competition, Axfood has a strong foundation to build further upon. To meet the needs of tomorrow's customers, Axfood is continuing to develop many areas of its businesses at a fast pace.

Axfood's different concepts are continuing to strengthen their market positions. With its unique position and strong brand, Willys is increasing its market share and attracting a growing number of consumers. Hemköp is continuing to develop its concept, and with its distinctive sustainability profile and the Klubb Hemköp loyalty programme, customer loyalty continues to increase. Snabbgross's concept, customer base and market share have been strengthened during the year, and the membership-based Snabbgross Club concept is creating entirely new growth opportunities. Through its partnership and minority stake in City Gross, Axfood is increasing its reach while also creating new opportunities for City Gross to further develop its concept and grow organically as well as through new establishments.

Capital expenditures in 2022 are expected to amount to between SEK 2,600 and 2,700 m excluding acquisitions and right-of-use assets, of which SEK 1,300 m pertains to the logistics centre in Bålsta outside Stockholm (the majority of which concerns partial payment for an automation solution), SEK 100 m pertains to the nationwide warehouse for fruits and vegetables in Landskrona (the majority of which concerns partial payment for an automation solution), and SEK 110 m pertains to IT costs related to the acquisition of Bergendahls Food. During 2022, Axfood plans to increase its rate of expansion and establish eight to 13 new stores.

The Covid-19 pandemic has had and will continue to have a major impact on society and also on Axfood's business. Operations are regularly adapted to the new conditions dictated by recommendations and the spread of infection. As society returns to a new normal state once the pandemic subsides, the dynamic in Axfood's markets is expected to largely return to the pre-pandemic situation.

**Proposed disposition of profit**

The Board of Directors proposes the following appropriation of the available funds:

**SEK**

Profit brought forward	783,101,156
Net profit for the year	1,713,664,404
<b>Total</b>	<b>2,496,765,560</b>

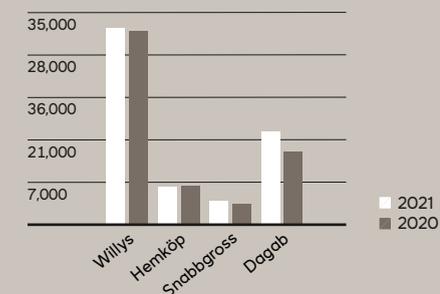
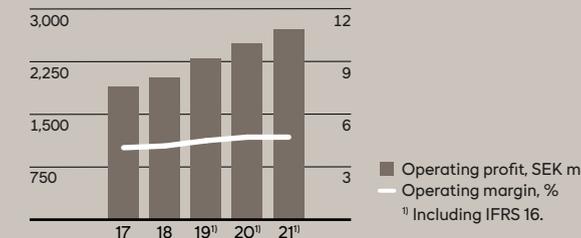
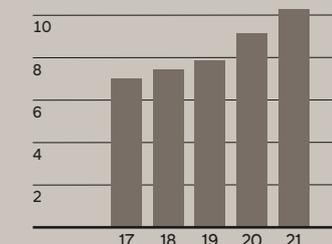
Be disposed as follows:

**SEK**

SEK 7.75 per share to be distributed to shareholders	1 620,561,673
To be carried forward	876,203,887
<b>Total</b>	<b>2,496,765,560</b>

The dividend amount is split into two payments, SEK 4.00 per share in March 2022 and SEK 3.75 per share in September 2022. The proposed dividend amounts to a total of SEK 1,620,561,673. 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 allotments under the LTIP 2019 framework and in part as a result of the proposal for a 2022 LTIP, if adopted by the AGM and that the total number of shares in the company may change as a result of the implementation of the rights issue.

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.

**Consolidated external net sales per segment, SEK m****Consolidated operating profit, SEK m, Operating margin, %****Earnings per share before dilution, SEK**

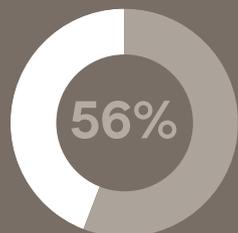
## Willys – leader in the discount segment

Willys is Sweden's leading discount grocery chain, offering a broad range of products in both 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 partly owned cross-border grocery chain Eurocash and a minority stake in City Gross.

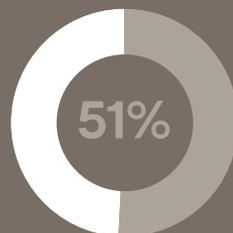
“It is gratifying that we continue to strengthen our brand and gain market shares. We also see continued increased demand within our e-commerce with a focus on the omni channel experience and Willys Hämta.

Thomas Evertsson,  
Managing Director, Willys

Share of net sales



Share of operating profit



### Willys

- 219 stores, of which 168 Willys and 51 Willys Hemma stores
- Average retail area, Willys: 2,000–2,500 sq. m. (range 1,100–4,700 sq. m.)
- Average retail area, Willys Hemma: 600–800 sq. m. (range 300–1,200 sq. m.)
- Online shopping at 126 stores in 77 cities
- Assortment: Willys approximately 9,000 items, Willys Hemma approximately 5,000 items

### Sweden's leading discount grocery chain

Willys combines quality and sustainability with simplicity and low prices. The broad assortment includes everything from seasonal fresh produce and organic products to high-quality everyday food that offers value for money.

Willys is Sweden's leading discount grocery chain, featuring 219 stores and e-commerce. The chain now has a modern, updated stock of pleasant and attractive stores. Willys is the food retail concept in the Swedish market that reaches the highest share of households and the Willys Plus loyalty programme has around three million members. Willys has invested considerably in digital services and has a strong e-commerce position. Customers can shop at the same low prices as in stores, with the option to pick up their groceries at a store near them or have them delivered home. Willys has a clear sustainability profile and works with a wide range of areas within sustainability. All of the chain's stores meet the criteria for the Swedish Society for Nature Conservation's stringent Bra Miljöval ("Good Environmental Choice") ecolabel. Willys Hemma is Willys' concept for mini-marts where customers can find good food at low prices near residential areas, city centres or in smaller cities.

**WILLYS**

### Eurocash

- 7 stores
- Average retail area: 3,000–3,500 sq. m. (range 1,200–4,500 sq. m.)
- Assortment: approximately 10,000–15,000 items

### The leading food retail chain on the border

Eurocash, in which Axfood has a 51% holding, is focused on retail along the Norwegian border and consists of seven stores from Strömstad to Storlien.

The majority of Eurocash customers are Norwegians who appreciate the significantly lower prices in Sweden compared with Norway. As a specialist in cross-border shopping, Eurocash therefore aims to make it easy for customers to shop for good food at the lowest prices.

**eurocash**

### City Gross

Axfood has a minority stake of 9.9% in City Gross, a hyper-market concept with a wide assortment and a rich offering of fresh products.

**CITY GROSS**

## ADMINISTRATION REPORT – WILLYS

## Development during the year

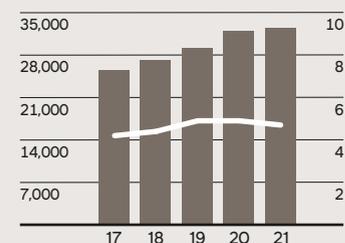
Willys continued to strengthen its position during the year, and net sales for the year grew 2.0% to SEK 32,424 m (31,793). Like-for-like sales were unchanged. The comparison figures were very high, mainly for the large Willys stores. Willys continued to develop its offering and concept with an expansion through new stores and online and a modernisation of existing stores. Eurocash's performance was measured against low comparison figures, and sales increased compared with a year ago. However, travel restrictions between Sweden and Norway during much of the year dampened growth considerably.

The number of stores at year-end was 226 (219), of which 219 (212) were Willys and 7 (7) were Eurocash. 31 stores (33) were refurbished. At year-end, Willys offered online shopping at 126 (104) stores in 77 (65) cities. The share of private label products amounted to 32.5% (32.5).

Operating profit amounted to SEK 1,512 m (1,551), corresponding to an operating margin of 4.7% (4.9). The decrease is mainly attributable to unchanged like-for-like net sales.

## Business highlights

- The Willys Plus loyalty programme surpassed three million members.
- The high rate of expansion continued in e-commerce, with a focus on developing the omnichannel experience and Willys Hämta.
- Willys became the first grocery chain to meet the criteria of the Swedish Society for Nature Conservation's stringent Bra Miljöval ("Good Environmental Choice") ecolabel.
- Waste of fruits and vegetables was reduced by more than 870 tonnes by offering customers waste-smart bargain boxes. Food waste was further reduced through donations of 170 tonnes of food to charity organisations.
- Willys continued to invest in solar panels for its own use, with solar panel systems installed on an additional six stores.
- On 1 February, Eurocash acquired Långflons Stormarknad.
- Axfood's minority stake of 9.9% in City Gross has been part of the Willys segment since 1 October.

Net sales, SEK m  
Operating margin, %<sup>1)</sup>

■ Net sales, SEK m

— Operating margin, %

<sup>1)</sup> Including IFRS 16 as from 2019

## Key ratios, SEK m

SEK m	2021	2020	Change
Net sales	32,424	31,793	2.0%
Like-for-like sales growth, %	0.0	7.9	-7.9
Operating profit	1,512	1,551	-2.6%
Operating margin, %	4.7	4.9	-0.2
Group-owned stores, number	226	219	7
Average number of employees during the year	6,531	6,109	422
Private label share, %	32.5	32.5	0.0

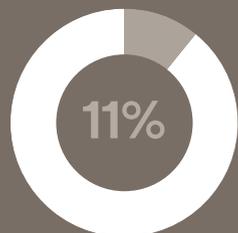
## Hemköp – passion for food and inspiration

Hemköp offers a broad, attractively priced assortment with a rich offering of fresh products. The chain's Group-owned stores, franchise stores and online business aim to inspire good meals in a simple and well thought-out manner. Hemköp also includes Tempo, a mini-mart format comprising franchise stores.

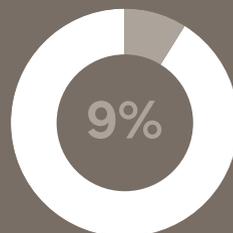
“It was an eventful year with e-commerce expansion, a new store concept and store modernisations, improved efficiency in our operations and a developed customer offering.

Simone Margulies,  
Managing Director, Hemköpskedjan

Share of net sales



Share of operating profit



### Hemköp

- 197 Hemköp stores, of which 63 are Group-owned
- Average retail area: 1,000–1,500 sq. m. (range 400–4,000 sq. m.)
- Online shopping at 70 stores in 42 cities
- Assortment: approximately 10,000–12,000 items

### Passion for food guided by sustainability

Hemköp takes its starting point from the joy of food that is good both for people and the world around us. To ensure that customers feel confident about the food they buy, a wide assortment of sustainable products chosen with care is offered.

Hemköp operates in the traditional grocery segment with 197 stores and e-commerce. This combination of operational models, with Group-owned and franchise stores, is a strength that drives the chain forward. This allows Hemköp to maintain a presence in several cities in Sweden, while the combination of chain management and entrepreneurship promotes and creates growth. Hemköp offers a wide assortment with a rich offering of prepared meals and meal solutions. Everything at Hemköp is based on a passion for food, including ongoing sustainability efforts. The Klubb Hemköp loyalty programme rewards customers for making sustainable choices and has approximately 1.7 million members.

**Hemköp**

### Tempo

- 130 franchise stores
- Average retail area: 300–500 sq. m.
- Assortment: approximately 4,500 items

### Proximity and personal interaction

At Tempo, store customers are greeted by a familiar environment offering good food and personal service.

All 130 Tempo stores are franchise stores. Tempo serves as a local meeting place, whether in a small countryside community or a suburban corner of a major city. Tempo's strengths are its proximity and personal interaction. Many Tempo stores also offer services such as package pick-up, betting and lotteries, and pharmacy order pick-up.

**Tempo**

## ADMINISTRATION REPORT – HEMKÖP

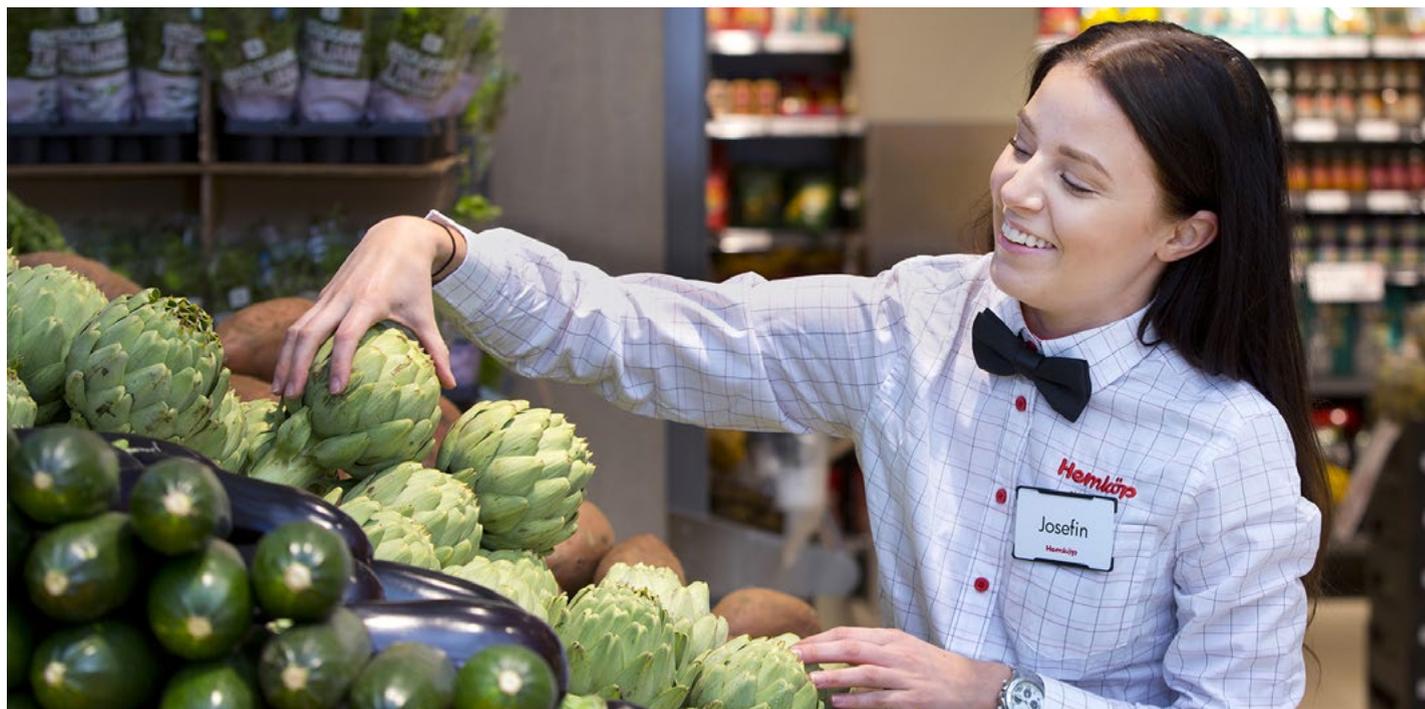
## Development during the year

Hemköp's net sales totalled SEK 6,202 m (6,354). Like-for-like store sales for Group-owned stores increased by 1.3% (2.8). Store sales including Hemköp franchises amounted to SEK 15,409 m (15,157), an increase of 1.7% compared with the preceding year. Like-for-like sales for Group-owned stores increased owing to low comparison figures and higher customer traffic at stores in central urban locations. The comparison figures for franchise stores were high, but net sales nevertheless increased. The Tempo chain's stores showed positive growth. Hemköp continued its rapid online roll-out, and offered online shopping at 70 stores (48) in 42 cities (30) at the end of the year. The number of Hemköp stores at year-end was 197 (198), of which 134 were franchise stores (133) and 63 were Group-owned (65). The share of private label products amounted to 26.4% (26.3).

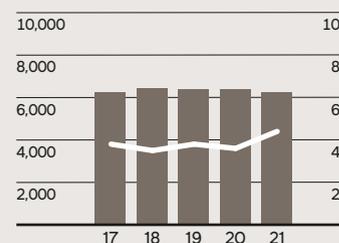
Hemköp's operating profit amounted to SEK 271 m (229), corresponding to an improved operating margin of 4.4% (3.6). The increase is mainly attributable to positive like-for-like sales growth, an improved sales mix and good cost control.

## Business highlights

- The Klubb Hemköp programme strengthened customer loyalty.
- A new store concept was rolled out and featured several modernisations.
- The high rate of expansion continued in e-commerce, with a focus on developing the omnichannel experience.
- Several new launches within meal solutions with a focus on innovation, simplicity and scalability.
- Hemköp was the first food retailer to assume a holistic approach and offer guidance about the carbon footprint of products.
- Waste of fruits and vegetables was reduced by almost 450 tonnes by offering customers waste-smart bags. Food waste was further reduced through donations of approximately 30 tonnes of food to charity organisations.



Net sales, SEK m  
Operating margin, % <sup>1)</sup>



■ Net sales, SEK m

— Operating margin, %

<sup>1)</sup> Including IFRS 16 as from 2019

Key ratios, SEK m

SEK m	2021	2020	Change
Net sales	6,202	6,354	-2.4%
Like-for-like sales growth, %	1.3	2.8	-1.5
Operating profit	271	229	18.4%
Operating margin, %	4.4	3.6	0.8
Group-owned stores, number	63	65	-2
Average number of employees during the year	1,594	1,658	-64
Private label share, %	26.4	26.3	0.1

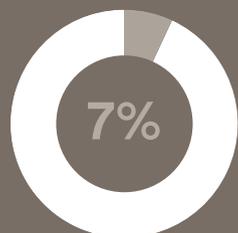
## Snabbgross – restaurant wholesaler with a strong position

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.

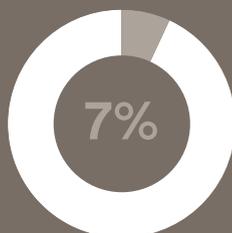
“Our customers appreciate our availability and affordable assortment, and more people will be able to take part of that when we grow with more stores and develop Snabbgross Club.”

Eva Pettersson,  
Managing Director, Snabbgross

Share of net sales



Share of operating profit



### Snabbgross

- 27 stores, of which two Snabbgross Club stores
- Average retail area: 2,000–2,500 sq. m. (range 800–4,000 sq. m.)
- Online sales to B2B customers through all stores
- Assortment: approximately 12,000 items

### Attractively priced assortment for business customers

Snabbgross is one of Sweden's leading restaurant wholesalers, offering personal service, accessibility and quality at its Group-owned stores and online.

Snabbgross has a unique position in the market, with stores across the country in addition to e-commerce. Owing to a wide assortment of approximately 12,000 items, Snabbgross can offer attractively priced, high-quality food products. This is combined with personal service and good accessibility both geographically as well as through generous opening hours. Each store is adapted to its own local market. Snabbgross has both full-service customers who purchase all of their products in stores as well as customers who make supplementary purchases as individual products run out. Sustainability is a key principle for Snabbgross and, in addition to developing the assortment, its stores continuously work to upgrade and adapt their operations.



### Snabbgross Club

**Snabbgross Club is a member-based grocery store where consumers have the opportunity to purchase directly from the restaurant wholesaler.**

Snabbgross Club is a new concept in the Swedish market with two stores, one north of Stockholm in Enebyängen and one in Södertälje. As a Snabbgross Club member, private individuals can buy food and household items directly from the wholesaler and gain access to a unique and attractively priced assortment in bulk packaging as well as customised special offers. Private customers need a membership to shop. Membership builds loyalty, and the aim is for customers to recover the fee through unique offers. At year-end, the two Snabbgross Club stores had over 17,000 registered members. For B2B customers, the stores work like any other Snabbgross in addition to allowing these customers to join the loyalty club.

## ADMINISTRATION REPORT – SNABBGROSS

## Development during the year

Sales at Snabbgross increased by 11.9% during the year to SEK 3,825 m (3,417). This strong growth was partly attributable to the easing of pandemic restrictions and favourable market development. Snabbgross's accessibility through its store network and attractive customer offerings resulted in an increase in the number of unique customers. New establishments and a higher average ticket value also contributed to the net sales growth. Snabbgross Club continued its positive growth and contributed a higher share of sales. The number of stores at year-end was 27 (26).

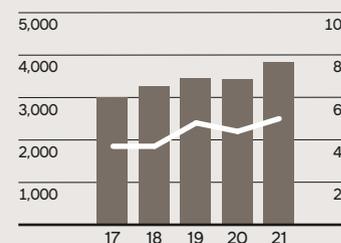
Operating profit amounted to SEK 193 m (150), an increase of 28.4%. The sharp increase in operating profit was largely attributable to positive like-for-like sales growth. The operating margin improved to 5.0% (4.4).

## Business highlights

- Development of the Snabbgross Club store concept continued and a new Snabbgross Club store was established in Södertälje.
- Investments were made in private label products with the brand Gastrino.
- During most parts of the year, several Snabbgross stores were temporarily open for private customers to offer additional places to shop during the pandemic.
- Sustainability efforts geared up, covering everything from reducing food waste, reducing the use of plastics, sustainable stores and environmentally certified electricity to an expanded range of sustainability-labelled products, vegetarian products and Swedish meat. During the year, Snabbgross was the first Swedish restaurant wholesaler to sell eggs exclusively from free-range hens.



Net sales, SEK m  
Operating margin, % <sup>1)</sup>



■ Net sales, SEK m

— Operating margin, %

<sup>1)</sup> Including IFRS 16 as from 2019

Key ratios, SEK m

SEK m	2021	2020	Change
Net sales	3,825	3,417	11.9%
Like-for-like sales growth, %	9.3	-2.2	11.5
Operating profit	193	150	28.4%
Operating margin, %	5.0	4.4	0.6
Group-owned stores, number	27	26	1
Average number of employees during the year	464	427	37

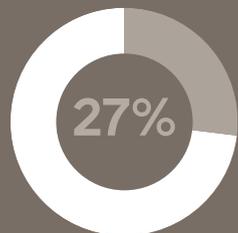
## Dagab – sustainable product supply and more

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

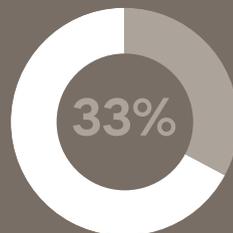
“ From Dagab, we will deliver Sweden’s most sustainable, affordable and modern customer offering within food. To lead a business with that ambition is a joy.

Nicholas Pettersson,  
Managing Director, Dagab

Share of net sales<sup>1)</sup>



Share of operating profit



1) Attributable to the share of external net sales.

### Dagab

- 11 warehouses, of which six central and regional warehouses
- Assortment: more than 50,000 items
- Own fleet of 155 heavy-duty trucks and 107 light-duty trucks for e-commerce
- Delivers to more than 7,000 stores and customers throughout Sweden

### Efficient and innovative operations

As a support company, Dagab has a key role in the efforts to continually improve the efficiency of product flows, from the assortment and purchasing to warehousing operations and distribution.

Dagab is where an attractive and sustainable assortment is created, and also where Axfood’s successful development of private label products takes place. The work is digital and data-driven, governed by insights into customer preferences. All supplier agreements are negotiated centrally by Dagab, and in this way the best conditions are created for the chains. Dagab’s logistics operations are the heart of Axfood’s logistics flow. With its own warehouses and a well-developed fleet of its own delivery vehicles, Dagab supplies products to stores and e-commerce customers throughout Sweden. Dagab is working on diversifying its delivery fleet and is increasingly turning to sustainable fuels and electricity as alternatives to fossil fuels. The logistics and purchasing model is constantly fine-tuned in an effort to increase inventory turnover, improve distribution and create more efficient order flows and transports. In this regard, the task is to create large-scale, flexible and customised solutions that meet varying needs while at the same time leveraging economies of scale.

## DAGAB

### Apohem

Apohem is a full-scale retail pharmacy where customers can order over-the-counter and prescription drugs. In addition to prescription drugs, Apohem offers some 14,000 items.

### Mat.se<sup>1)</sup>

Mat.se is an online grocery store for customers in Stockholm and Gothenburg. The assortment has over 9,000 items.

### Middagsfrid

Middagsfrid operates in e-commerce, planning and delivering pre-planned meal kits complete with recipes and ingredients.

### Urban Deli

Urban Deli has four locations in Stockholm and is a combination of restaurant, market hall and food store as well as its own production kitchens.

apohem



mat.se



1) On 1 March 2022, Axfood enters into a strategic partnership with Mathem and becomes a co-owner of the company through the divestment of Mat.se in exchange for shares in Mathem. Read more on page 7.

## ADMINISTRATION REPORT – DAGAB

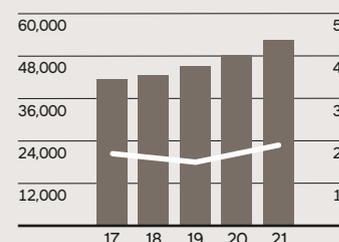
## Development during the year

Dagab's sales for the year totalled SEK 52,295 m (48,091), an increase of 8.7%. Bergendahls Food contributed SEK 2,672 m to net sales. Net sales excluding Bergendahls Food totalled SEK 49,624 m (48,091), an increase of 3.2%. The positive growth is mainly attributable to higher sales to store chains and convenience retailers. External sales amounted to SEK 15,360 m (12,063). Dagab's delivery reliability was 95.4% (94.8). Delivery reliability was somewhat higher than in the previous year, but was negatively affected by certain disruptions in the general supply chain that affected planning.

Operating profit amounted to SEK 932 m (829), corresponding to an operating margin of 1.8% (1.7). Operating profit included items affecting comparability of SEK -39 m related to integration costs for Bergendahls Food and structural costs of SEK -6 m connected to the restructuring of the logistics operations. Adjusted operating profit amounted to SEK 976 m (829), corresponding to an operating margin of 1.9% (1.7). The increase is due to positive sales trends, and with continued strong demand in the food retail sector and higher demand from convenience retailers, capacity utilisation and productivity remained high for both store and e-commerce logistics.

## Business highlights

- On 1 October, Axfood completed the acquisition of Bergendahls Food. After the transaction was completed, the integration process with Dagab's operations began.
- On 14 December, it was announced that Axfood is entering into a strategic partnership with Mathem by divesting Mat.se. At the same time, Dagab signed a seven-year delivery and cooperation agreement with Mathem. The transaction will be completed on 1 March 2022.
- Work on the new, highly automated logistics centre in Bålsta outside Stockholm proceeded according to plan and the installation of the automation solution started.
- Agreements were signed for a new, automated e-commerce warehouse in Backa in Gothenburg, expanding and automating the existing high-bay warehouse in Backa in Gothenburg, and a new, large-scale and partly automated nationwide warehouse for fruits and vegetables in Landskrona to replace the one in Helsingborg.
- The green transition of the delivery fleet continued, and the first fully electric truck became operational during the year.
- 255 new products were launched within the private label assortment.

Net sales, SEK m  
Operating margin, %<sup>1)</sup>

■ Net sales, SEK m  
— Operating margin, %

<sup>1)</sup> Including IFRS 16 as from 2019

## Key ratios, SEK m

SEK m	2021	2020	Change
Net sales	52,295	48,091	8.7%
Operating profit	932	829	12.3%
Operating profit excl. items affecting comparability <sup>1)</sup>	976	829	17.7%
Operating margin, %	1.8	1.7	0.1
Operating margin excl. items affecting comparability, % <sup>1)</sup>	1.9	1.7	0.1
Average number of employees during the year	3,126	2,823	303
Delivery reliability, %	95.4	94.8	0.6

1) See Note 7 for more information.

## FINANCIAL STATEMENTS

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

SEK m	Note	2021	2020
Net sales	3	57,891	53,696
Cost of goods sold	6, 8	-48,945	-45,148
<b>Gross profit</b>		<b>8,946</b>	<b>8,548</b>
Selling expenses	6, 8	-3,428	-3,300
Administrative expenses	6, 8, 9	-3,448	-3,317
Share of profit in associated companies	21	-46	-38
Other operating income		788	632
Other operating expenses	6	-108	-15
<b>Operating profit</b>	<b>3</b>	<b>2,704</b>	<b>2,510</b>
Interest income and similar profit/loss items	13	12	16
Interest expense and similar profit/loss items	13	-134	-132
<b>Net financial items</b>		<b>-122</b>	<b>-116</b>
<b>Profit before tax</b>		<b>2,582</b>	<b>2,394</b>
Current tax	15	-491	-457
Deferred tax	15	3	-74
<b>Net profit for the year</b>		<b>2,094</b>	<b>1,862</b>

SEK m	Note	2021	2020
<b>Other comprehensive income</b>			
<i>Items that cannot be reclassified to profit or loss for the period</i>			
Revaluation defined benefit pensions	24	12	-6
Tax	15	-2	1
<i>Items that can be reclassified to profit or loss for the period</i>			
Change in hedging reserve	26	54	-65
Tax	15	-11	13
<b>Other comprehensive income for the year</b>		<b>52</b>	<b>-56</b>
<b>Comprehensive income for the year</b>		<b>2,146</b>	<b>1,806</b>
<b>Net profit for the year attributable to:</b>			
Owners of the parent		2,150	1,908
Non-controlling interests		-56	-46
<b>Net profit for the year</b>		<b>2,094</b>	<b>1,862</b>
<b>Comprehensive income for the year attributable to:</b>			
Owners of the parent		2,202	1,852
Non-controlling interests		-56	-46
<b>Comprehensive income for the year</b>		<b>2,146</b>	<b>1,806</b>
Earnings per share before dilution, SEK	16	10.28	9.12
Earnings per share after dilution, SEK	16	10.24	9.09

## FINANCIAL STATEMENTS

## Statement of financial position Group

SEK m	Note	31 Dec 2021	31 Dec 2020
<b>Assets</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>	17		
Goodwill		3,846	2,769
Other intangible assets		1,449	750
		<b>5,295</b>	<b>3,519</b>
<i>Property, plant and equipment</i>	18		
Land and buildings		144	146
Equipment, tools, fixtures and fittings		2,246	2,153
Construction in progress		1,425	613
		<b>3,815</b>	<b>2,912</b>
Right-of-use assets	11	6,384	5,656
<i>Financial assets</i>			
Participations in associated companies	21	379	28
Other long-term securities holdings	25	0	0
Other non-current receivables	25, 27	6	6
		<b>385</b>	<b>33</b>
Deferred tax assets	15	346	253
<b>Total non-current assets</b>		<b>16,225</b>	<b>12,373</b>
<b>Current assets</b>			
Inventories		3,136	2,670
<i>Current receivables</i>			
Trade receivables	25, 26	2,292	1,033
Other current receivables	25	148	169
Prepaid expenses and accrued income	22	1,196	1,034
		<b>3,636</b>	<b>2,236</b>
Cash and cash equivalents	25, 27	734	1,534
<b>Total current assets</b>		<b>7,506</b>	<b>6,441</b>
<b>Total assets</b>		<b>23,731</b>	<b>18,814</b>

SEK m	Note	31 Dec 2021	31 Dec 2020
<b>Equity and liabilities</b>			
<b>Equity</b>			
	23		
Share capital		262	262
Other capital contributions		496	496
Reserves		-40	-83
Profit brought forward		4,233	3,655
		<b>4,952</b>	<b>4,331</b>
Non-controlling interests		224	232
<b>Total equity</b>		<b>5,176</b>	<b>4,563</b>
<b>Non-current liabilities</b>			
Non-current lease liabilities	11, 25, 26, 27	4,856	4,524
Provisions for pensions	24, 27	371	403
Deferred tax liabilities	15	1,212	979
Other non-current liabilities	25	57	108
<b>Total non-current liabilities</b>		<b>6,496</b>	<b>6,014</b>
<b>Current liabilities</b>			
Current lease liabilities	11, 25, 26, 27	1,548	1,184
Current interest-bearing liabilities	25, 26, 27	1,600	-
Trade payables	25, 26	5,845	4,424
Current tax liabilities		94	13
Other current liabilities	25	431	391
Accrued expenses and deferred income	28	2,541	2,225
<b>Total current liabilities</b>		<b>12,059</b>	<b>8,237</b>
<b>Total equity and liabilities</b>		<b>23,731</b>	<b>18,814</b>

## FINANCIAL STATEMENTS

## Statement of cash flows Group

SEK m	Note	2021	2020
<b>Operating activities</b>			
Operating profit		2,704	2,510
Depreciation/amortisation	10	2,399	2,252
Interest paid		-124	-118
Interest received		4	10
Adjustments for non-cash items		62	52
Paid tax		-406	-370
<b>Cash flow from operating activities before changes in working capital</b>		<b>4,639</b>	<b>4,336</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		-138	-284
Change in current receivables		-467	-52
Change in current liabilities		556	851
<b>Cash flow from operating activities</b>		<b>4,590</b>	<b>4,851</b>
<b>Investing activities</b>			
Acquisitions of intangible assets		-309	-211
Acquisitions of property, plant and equipment		-1,516	-817
Acquisitions of operations	4	-1,633	-9
Sales of operations	4	7	3
Sales of property, plant and equipment		6	4
Acquisitions of financial assets		-397	-50
<b>Cash flow from investing activities</b>		<b>-3,842</b>	<b>-1,080</b>
<b>Financing activities</b>			
Loans raised		1,900	-
Amortisation of debt		-1,878	-1,515
Shareholder contribution from minority owners		49	49
Share repurchases		-50	-53
Dividend paid out		-1,569	-1,517
<b>Cash flow from financing activities</b>		<b>-1,548</b>	<b>-3,036</b>
<b>Cash flow for the year</b>		<b>-800</b>	<b>735</b>
Cash and cash equivalents at start of year		1,534	798
Cash and cash equivalents at year-end		734	1,534

SEK  
4.6 bn  
Cash flow from  
operating activities

## FINANCIAL STATEMENTS

## Statement of changes in equity Group

SEK m	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other capital contributions	Hedging reserve	Profit brought forward	Total		
<b>Opening equity 2020</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>
Net 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>-</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 owners	-	-	-	-	-	49	49
<b>Closing 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>
<b>Opening equity 2021</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>
Net profit for the year	-	-	-	2,150	2,150	-56	2,094
Other comprehensive income for the year	-	-	43	9	52	-	52
<b>Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>2,160</b>	<b>2,202</b>	<b>-56</b>	<b>2,146</b>
Shareholder dividend	-	-	-	-1,569	-1,569	-	-1,569
Share repurchases	-	-	-	-50	-50	-	-50
Share-based payments	-	-	-	37	37	-	37
Shareholder contribution from minority owners	-	-	-	-	-	49	49
<b>Closing equity 2021</b>	<b>262</b>	<b>496</b>	<b>-40</b>	<b>4,233</b>	<b>4,952</b>	<b>224</b>	<b>5,176</b>

## FINANCIAL STATEMENTS

## Income statement Parent Company

SEK m	Note	2021	2020
Net sales		7	5
Selling expenses		-1	-1
Administrative expenses	5, 8, 9, 10	-428	-428
Other operating income	5	271	269
<b>Operating loss</b>		<b>-152</b>	<b>-155</b>
Interest income and similar profit/loss items	13	7	8
Interest expense and similar profit/loss items	13	-12	-10
<b>Loss after financial items</b>		<b>-156</b>	<b>-157</b>
Appropriations	14	2,326	2,082
<b>Profit before tax</b>		<b>2,170</b>	<b>1,925</b>
Current tax	15	-455	-417
Deferred tax	15	-1	-1
<b>Net profit for the year</b>		<b>1,714</b>	<b>1,508</b>

Net profit for the year corresponds to comprehensive income for the year.

## FINANCIAL STATEMENTS

## Balance sheet Parent Company

SEK m	Note	31 Dec 2021	31 Dec 2020
<b>Assets</b>			
<b>Property, plant and equipment</b>			
Equipment, tools, fixtures and fittings	18	37	35
		<b>37</b>	<b>35</b>
<b>Financial assets</b>			
Participations in Group companies	20	3,529	3,459
Participations in associated companies	21	11	6
Deferred tax assets	15	6	7
Other non-current receivables		1	1
		<b>3,547</b>	<b>3,473</b>
<b>Total non-current assets</b>		<b>3,584</b>	<b>3,508</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Trade receivables		2	2
Receivables from Group companies	27	6,481	4,527
Other current receivables		0	0
Prepaid expenses and accrued income	22	35	23
		<b>6,518</b>	<b>4,553</b>
Cash and bank balances	27	321	1,141
<b>Total current assets</b>		<b>6,838</b>	<b>5,694</b>
<b>Total assets</b>		<b>10,423</b>	<b>9,202</b>

SEK m	Note	31 Dec 2021	31 Dec 2020
<b>Equity and liabilities</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		262	262
Revaluation reserve		25	25
		<b>287</b>	<b>287</b>
<i>Non-restricted equity</i>			
Profit brought forward		783	857
Net profit for the year		1,714	1,508
		<b>2,497</b>	<b>2,364</b>
<b>Total equity</b>		<b>2,784</b>	<b>2,652</b>
<b>Untaxed reserves</b>	14	<b>3,487</b>	<b>3,192</b>
<b>Provisions</b>			
Provisions for pensions	24, 27	10	15
		<b>10</b>	<b>15</b>
<b>Non-current liabilities</b>			
Other non-current liabilities		4	3
		<b>4</b>	<b>3</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	27	1,600	-
Trade payables		20	15
Liabilities to Group companies	27	2,277	3,165
Current tax liabilities		150	76
Other current liabilities		15	5
Accrued expenses and deferred income	28	76	79
		<b>4,138</b>	<b>3,340</b>
<b>Total equity and liabilities</b>		<b>10,423</b>	<b>9,202</b>

## FINANCIAL STATEMENTS

## Cash flow statement Parent Company

SEK m	2021	2020
<b>Operating activities</b>		
Loss before financial items	-152	-155
Interest paid	-12	-10
Interest received	7	8
Depreciation/amortisation	7	4
Adjustments for non-cash items	-37	-35
Paid tax	-382	-336
<b>Cash flow from operating activities before changes in working capital</b>	<b>-567</b>	<b>-524</b>
<b>Cash flow from changes in working capital</b>		
Change in current receivables	-1,691	-980
Change in current liabilities	-896	1,783
<b>Cash flow from operating activities</b>	<b>-3,155</b>	<b>279</b>
<b>Investing activities</b>		
Acquisitions of property, plant and equipment	-13	-27
Sales of property, plant and equipment	4	0
Acquisitions of financial assets	-6	-6
<b>Cash flow from investing activities</b>	<b>-15</b>	<b>-33</b>
<b>Financing activities</b>		
Loans raised	1,900	-
Amortisation of loans	-300	-
Dividend	-1,569	-1,517
Share repurchases	-50	-53
Group contribution received	2,367	2,182
Group contribution paid	-	-90
<b>Cash flow from financing activities</b>	<b>2,349</b>	<b>522</b>
<b>Cash flow for the year</b>	<b>-821</b>	<b>769</b>
Cash and cash equivalents at start of year	1,141	373
Cash and cash equivalents at year-end	321	1,141

## Equity Parent Company

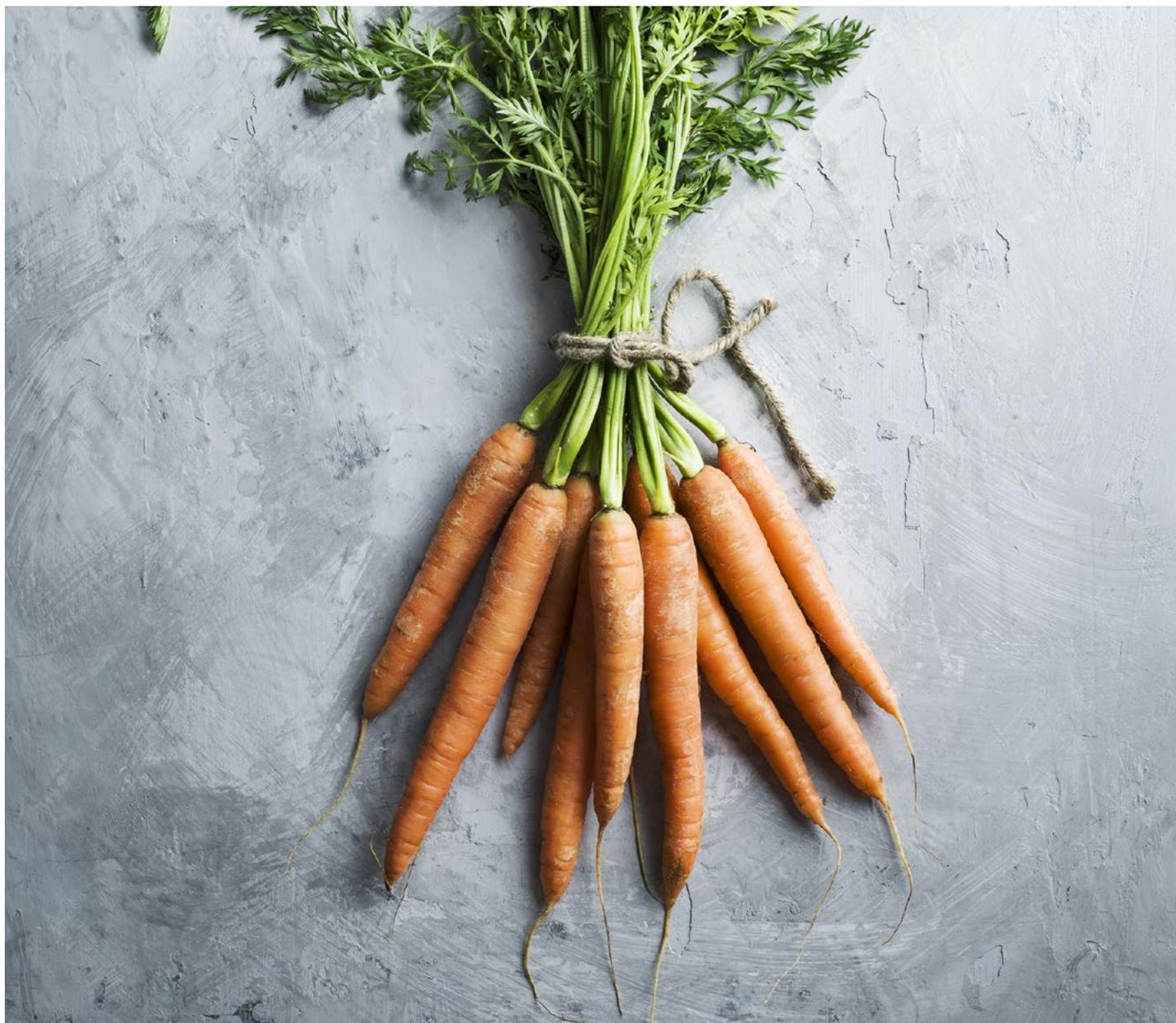
SEK m	Restricted equity		Non-restricted equity	Total equity
	Share capital	Revaluation reserve	Profit brought forward	Total
<b>Opening equity 2020</b>	<b>262</b>	<b>25</b>	<b>2,399</b>	<b>2,686</b>
Net profit for the year	-	-	1,508	1,508
Shareholder dividend	-	-	-1,517	-1,517
Share repurchases	-	-	-53	-53
Share-based payments	-	-	28	28
<b>Closing equity 2020</b>	<b>262</b>	<b>25</b>	<b>2,364</b>	<b>2,652</b>
<b>Opening equity 2021</b>	<b>262</b>	<b>25</b>	<b>2,364</b>	<b>2,652</b>
Net profit for the year	-	-	1,714	1,714
Shareholder dividend	-	-	-1,569	-1,569
Share repurchases	-	-	-50	-50
Share-based payments	-	-	37	37
<b>Closing equity 2021</b>	<b>262</b>	<b>25</b>	<b>2,497</b>	<b>2,784</b>

Net profit for the year corresponds to comprehensive income for the year.

## NOTES

## Contents

<b>NOTE 1</b>	Accounting policies	<b>54</b>
<b>NOTE 2</b>	Key estimates and assessments	<b>58</b>
<b>NOTE 3</b>	Segment reporting	<b>59</b>
<b>NOTE 4</b>	Acquired and divested operations	<b>60</b>
<b>NOTE 5</b>	Intra-Group purchases and sales	<b>60</b>
<b>NOTE 6</b>	Allocation of costs by type of cost	<b>61</b>
<b>NOTE 7</b>	Items affecting comparability	<b>61</b>
<b>NOTE 8</b>	Information on employees and remuneration to directors, the President and other senior executives	<b>61</b>
<b>NOTE 9</b>	Auditors' fees	<b>65</b>
<b>NOTE 10</b>	Depreciation/amortisation	<b>65</b>
<b>NOTE 11</b>	Leases	<b>66</b>
<b>NOTE 12</b>	Related party transactions	<b>67</b>
<b>NOTE 13</b>	Net financial items	<b>67</b>
<b>NOTE 14</b>	Appropriations and untaxed reserves	<b>67</b>
<b>NOTE 15</b>	Taxes	<b>67</b>
<b>NOTE 16</b>	Earnings per share	<b>68</b>
<b>NOTE 17</b>	Intangible assets	<b>69</b>
<b>NOTE 18</b>	Property, plant and equipment	<b>70</b>
<b>NOTE 19</b>	Government assistance and grants	<b>70</b>
<b>NOTE 20</b>	Participations in Group companies	<b>71</b>
<b>NOTE 21</b>	Participations in associated companies	<b>72</b>
<b>NOTE 22</b>	Prepaid expenses and accrued income	<b>73</b>
<b>NOTE 23</b>	Equity	<b>73</b>
<b>NOTE 24</b>	Provisions for pensions	<b>74</b>
<b>NOTE 25</b>	Financial assets and liabilities	<b>75</b>
<b>NOTE 26</b>	Financial risk management	<b>76</b>
<b>NOTE 27</b>	Non-current and current interest-bearing receivables and liabilities	<b>78</b>
<b>NOTE 28</b>	Accrued expenses and deferred income	<b>79</b>
<b>NOTE 29</b>	Pledged assets and contingent liabilities	<b>79</b>
<b>NOTE 30</b>	Events after the balance sheet date	<b>79</b>



## NOTES

# Notes to the financial statements

## 1 Accounting policies

Axford AB is a limited liability company registered in Sweden, with its registered office 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 2021 cover the Parent Company and its subsidiaries, jointly referred to as the Group. The Group also includes ownership stakes in associated companies.

Axford AB is a subsidiary of AxRetail AB, corporate registration number 556039-2226, with its registered office in Stockholm. AxRetail AB, in turn, is a wholly owned subsidiary of Axel Johnson Holding AB, corporate registration number 556245-2549, with its registered office in Stockholm, which prepares consolidated financial statements for the largest group.

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors and President on 18 February 2022. 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 AGM on 23 March 2022.

### 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 RFR 1, 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.

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

Assets and liabilities are recognised at historical cost, except for financial derivative instruments, which are measured at fair value. Defined benefit pension liabilities/assets are recognised 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 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 estimates in the financial statements

Preparing the financial statements in accordance with IFRS requires the Board and Executive Committee to make judgements and estimates as well as assumptions that affect the 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 estimates and judgements. Changes in estimates are recognised 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 estimates made that may entail material adjustments to subsequent years' financial statements, are described in more detail in Note 2.

### 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, their accounting policies have been adapted to the Group's policies where necessary.

### Changed accounting policies

As of 2021, items affecting comparability are recognised separately. Items affecting comparability refer to financial effects in connection with major acquisitions and divestments or other major structural changes as well as material non-recurring items. Items affecting comparability are specified in Note 7.

#### *Changed accounting policies as a result of new or amended IFRS*

There are no new IFRS that have been endorsed for application from 2021 and forward. A few amendments have been made to standards endorsed for application from 2021 and forward; these have not been judged to have any material effect on the consolidated financial statements.

#### *New IFRS that have not yet begun to be applied*

New and amended IFRS 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

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.

### Segment reporting

An operating segment is a part of the Group that engages in business activities from which it may earn revenue 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 Axford. 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 Segment reporting.

### Principles of consolidation and business combinations

#### *Subsidiaries*

Subsidiaries are all companies in which the Parent Company, Axford AB, directly or indirectly has control. When determining if control exists, potential voting shares are taken into account as is whether *de facto control* exists. The purchase method was used to recognise acquisitions of subsidiaries.

The purchase price comprises the total of the fair value of the amount paid in cash on the acquisition date in exchange for control of the acquired business. Contingent consideration is included in cost and is measured at fair value on the acquisition date. Acquisition-related expenses are recognised directly in profit or loss.

The cost for the Group is determined through a purchase price allocation in conjunction with the business combination. The purchase price allocation determines the fair value of acquired identifiable assets and assumed liabilities as well as any non-controlling interests on the acquisition date. Recognised goodwill comprises the difference between the consideration transferred, the value of any non-controlling interests and the fair value of previously owned interests and the fair value of acquired identifiable assets and assumed liabilities in the purchase price allocation.

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

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

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

## NOTES

Note 1, cont.

#### Associated companies

Associated companies are companies in which the Group has a significant but non-controlling influence over their operational and financial management, typically through a holding of between 20% and 50% of the votes but also through other contractual relationships. From the point in time at which the significant influence is obtained, participations in associated companies are recognised in accordance with the equity method in the consolidated financial statements.

The Group's share of the associated company's net profit/loss after tax, adjusted for any depreciation/amortisation and impairment or dissolutions of any surplus and deficit values recognised in connection with the acquisition, is recognised in consolidated profit. Dividends received from associated companies reduce the carrying amount of the investment.

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

#### Transactions eliminated upon consolidation

Intra-Group receivables and liabilities, revenue or expenses, and unrealised gains or losses that arise from transactions between Group companies are eliminated in their entirety in preparation of the consolidated financial statements. Unrealised gains that arise in connection with transactions with associated companies are eliminated to the extent that they correspond to the Group's share of equity in the company. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment requirement.

#### Revenue

The Group conducts retail trade through the Hemköp, Willys, Eurocash and mat.se chains. For sales of products in the retail sector, revenue is recognised when the Group company sells a product to a customer. For sales in stores, the transaction price falls 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 falls due for payment when the product is ready for delivery to the customer.

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 recognised at the point in time the sale was made. Revenue is recognised when the points are used or when they expire.

The Group conducts wholesale trade through Dagab. Revenue from a sale is recognised 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 ten 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 on invoice, normally with a payment term of 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.

In the wholesale operations, discounts are typically recognised 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 recognised only at such a value that it is highly probable that a significant reversal of the recognised revenue will not arise, as the uncertainty associated with the variable consideration ceases. A liability is recognised for anticipated volume discounts in relation to sales through the balance sheet date.

Franchise fees in Hemköp and other services pertain to services that are routinely performed during the term of the contract. These services account for an insignificant share of Axfood's total sales.

#### Leases

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 transfers 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 recognised as a single lease component.

#### Leases where the Group is lessee

The Group recognises 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 payments made on or before the commencement date, plus any initial, direct fees. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In cases where the cost of the right-of-use asset reflects the Group's intention to 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 of the uncancellable 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 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 a 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 recognised. Lease payments for these leases are recognised as an expense on a straight-line basis over the lease term. This also applies for variable lease payments.

For impairment testing, see the sub-heading "Impairment."

#### Leases where the Group is lessor

In cases where the Group is the 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 transfers 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 recognised 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 recognises lease payments from operating leases as revenue on a straight-line basis over the lease term.

#### Financial income and expenses

Financial income consists primarily of interest income from investments and dividend income. Interest income from financial instruments is recognised using the effective interest method. Dividend income is recognised 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 recognised 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 recognised net.

## NOTES

Note 1, cont.

### Receivables and liabilities in foreign currency

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

### Taxes

The Group's total taxes consist of current tax and deferred tax. Taxes are recognised in profit or loss for the year except when the underlying transaction is recognised in other comprehensive income or equity, in which case the associated tax effect is recognised in a corresponding manner.

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 of 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 carrying amount and taxable value of assets and liabilities. Valuation of deferred tax is based on how the temporary differences are expected to be recognised or settled and using the tax rates and tax rules that have been decided on or essentially decided on as of 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 unutilised loss carryforwards are recognised only to the extent it is probable that they will entail lower tax payments in the future.

### Intangible assets

#### Goodwill

In connection with business combinations, goodwill is recognised in the statement of financial position in cases where the total of the consideration transferred, the value of any non-controlling interests and the fair value of previously owned interests exceeds the fair value of acquired identifiable assets and assumed liabilities.

Goodwill is measured at cost less any accumulated impairment. Goodwill is attributed to the relevant cash-generating units and is tested at least annually for impairment.

#### Development

Costs for development for internal use are recognised as an asset in the statement of financial position if the product or process is technically and commercially usable 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 recognised in net profit for the year as an expense as they are incurred. Recognised development costs are recognised at cost less accumulated depreciation and any impairment.

#### Other intangible assets

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

#### Amortisation of intangible assets

Amortisation is done on a straight-line basis over the estimated useful life of the assets. Eligible intangible assets are amortised from the date they are put in use. The useful life of assets is reassessed annually.

The following percentages have been applied:

IT development	10–20%
Leaseholds	Remainder of lease term
Customer relationships	Length of relationship/contract
Other intangible assets	20–33%

#### Property, plant and equipment

Property, plant and equipment are recognised 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 the 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. Useful life for improvement expenses for another party's property is based on the remaining lease term for the underlying lease and varies from one to ten years. The useful life of assets is reassessed annually. Axford 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%

### Financial instruments

#### Recognition and initial measurement

Trade receivables and issued debt instruments are recognised when they are issued. Other financial assets and financial liabilities are recognised 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 initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit or loss based on the Group's business model for managing the asset and the asset's contractual cash flow characteristics. Financial assets are not reclassified after initial recognition unless the Group changes its business model for management of financial assets. The assets are subject to a loss allowance for expected credit losses, see Note 26.

#### Financial assets measured at amortised cost

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

#### Financial assets measured at fair value through other comprehensive income

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. Subsequent measurement of these assets is done at fair value with changes in fair value recognised in other comprehensive income.

#### Financial assets measured at fair value through profit or loss

Financial assets that are not classified as measured at amortised cost or at fair value through other comprehensive income are 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 recognised in profit or loss.

#### Derecognition from the statement of financial position

The Group derecognises 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

#### Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised 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 recognised in profit or loss. Subsequent measurement of other financial liabilities is done at amortised cost using the effective interest method. Interest expenses and foreign exchange gains

## NOTES

*Note 1, cont.*

and losses are recognised in profit or loss. See Note 26 for financial liabilities identified as hedge instruments.

The Group derecognises 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 derecognised, the difference between the carrying amount that has been derecognised and the consideration paid is recognised in profit or loss.

**Offsetting**

Financial assets and financial liabilities are offset against each other and recognised in a net amount in the statement of financial position only when the Group has a legal right to offset the recognised amounts and intends to settle the items in a net amount or at the same time realise 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 initial recognition at fair value. After initial recognition, they are measured at fair value and changes are recognised 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 recognised in other comprehensive income and is accumulated in the hedging reserve. Ineffective portions of changes in the fair value of the derivative are recognised immediately in profit or loss. When hedged, forecast transactions subsequently lead to recognition of a non-financial item, the accumulated amount is included in the hedging reserve at the initial cost of the non-financial item. For all other hedged, forecast 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 recognised at the exchange rate in effect on the balance sheet date, and changes in exchange rates are recognised in net profit for the year.

**Inventories**

Inventory consists of finished products and goods for resale. Inventories are measured at the lower of cost or net realisable 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) princi-

ple. Net realisable value consists of the anticipated sales price in the continuing operations less selling expenses.

**Impairment**

The carrying amount of goodwill, intangible assets that have not yet been put in use and other intangible assets with an indefinite useful life is tested annually to determine any need to recognise impairment. The carrying amounts are also tested when an indication of a decrease in value has been identified. An impairment loss is recognised 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 realisable 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 Axford'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 impairment is made of other assets included in the unit.

**Provisions**

Provisions are recognised in the statement of financial position in cases where Axford 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 estimate of the amount can be made. The provision is recognised 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 recognised at present value. The discount rate corresponds to the market rate of interest before tax and the risks associated with the liability. Provisions are recognised in the statement of financial position under other current and non-current liabilities.

**Employee benefits***Short-term benefits*

Short-term employee benefits are calculated without discounting and are recognised as an expense when the related services are performed. A provision for estimated bonus payments is recognised 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 remuneration*

Axford has both defined contribution and defined benefit pension plans.

Defined contribution pension plans are classified as plans in which Axford's obligation is limited to the contributions that the Company has undertaken to pay. The pension cost for 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.

Pension cost for defined benefit pension plans is calculated using the projected unit credit (PUC) method, which in short entails that each period of service gives rise to an additional unit of benefit entitlement and that each unit is measured 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. Furthermore, the calculations are affected by actuarial assumptions, such as longevity and inflation. Revaluation effects are recognised 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 recognised in net profit for the year under net financial items. Net interest income is based on the interest that arises when discounting the net obligation. Other components are recognised in operating profit or loss.

The special employer's payroll tax is recognised separately from the net obligation/asset as an other non-current liability. For the purposes of simplification, the portion of the special employer's payroll tax that is calculated based on the Swedish Pension Obligations Vesting Act for legal entities is recognised 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 information that makes it possible to recognise this plan as a defined benefit plan.

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

*Share-based payments*

The Group has share-based incentive programmes in which settlement is made 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 Axford ("savings shares"). The cost of the share-based remuneration is based on the fair value of the share rights that the employee receives. The value is calculated on the allotment date using a calculation model based on Monte Carlo simulations and is adjusted in subsequent periods to ultimately reflect the actual number of rewarded share rights. The fair value of the allotted share rights is recognised 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 contributions.

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

## NOTES

Note 1, cont.

### Statement of cash flows

The statement of cash flows is prepared in accordance with the indirect method. The recognised cash flow pertains only to transactions that entail incoming or outgoing payments. Axfod'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 (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 IFRS and pronouncements as far as possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, 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 2021 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 Swedish Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and cash flow statement are based on IAS 1 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 recognition of equity and the presentation of provisions as a separate heading in the balance sheet.

### Subsidiaries and associated companies

Participations in subsidiaries and associated companies are recognised 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 Swedish Pension Obligations Vesting Act and the Financial Supervisory Authority's directions, since this is a prerequi-

site 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 of future salary increases, and that all actuarial gains and losses are recognised 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 assets are measured at cost less impairment, and financial current assets are measured at the lower of cost or net realisable 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 recognised as a provision in the balance sheet when Axfod 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 recognises lease payments as an expense on a straight-line basis over the lease term, and right-of-use assets and lease liabilities are therefore not recognised in the balance sheet. Leases in which the Parent Company is the lessor are recognised as operating leases.

### Taxes

In the Parent Company, in contrast to the Group, untaxed reserves are recognised without a breakdown into equity and deferred tax liability.

In the income statement, in a similar manner, no breakdown is made of parts of appropriations to deferred tax expense.

### Group contributions and shareholder contributions

The Parent Company recognises Group contributions received and paid as appropriations. Shareholder contributions are recognised directly in equity for the receiving party and are capitalised in shares and participations for the rendering party, to the extent that there is no need to recognise impairment.

### Changed accounting policies 2022 and later

See the changed accounting policies for the Group.

## 2 Key estimates and assessments

### Impairment testing of goodwill

In calculating cash-generating units' recoverable amount in connection with the Company's testing of any need to recognise goodwill impairment, a number of assumptions have been made about future conditions and estimates 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 estimates 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 amount 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 Axfod'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 for calculations of 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

Axfod AB has a guarantee commitment with NREP Logicensers pertaining to future rents. Since it is extremely unlikely that the commitment will be utilised, it is not recognised as a contingent asset or contingent liability.

## NOTES

### 3 Segment reporting

Segments have been defined based on how Axfood's Executive Committee monitors and governs the operations to evaluate performance and allocate resources. The Executive Committee reviews the segments' operating profit or loss, both including and excluding items affecting comparability.

The operating segments that have been identified are Willys, Hemköp, Snabbgross and Dagab. For more information on the segments, see pages 38–45. Joint-Group pertains to head office support functions, such as the

Executive Committee, Finance/Accounting, Legal Affairs, Communications, Business Development, HR and IT.

No significant impairment losses affected profit for 2021 or 2020. No impairment losses were reversed in 2021 or 2020. No significant non-cash items other than depreciation and amortisation arose during 2021 and 2020.

No individual customer accounts for more than 10% of consolidated sales, and thus no major customer is considered to exist.

SEK m	Willys		Hemköp		Snabbgross		Dagab <sup>1)</sup>		Joint-Group		Eliminations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External net sales	32,424	31,793	6,202	6,354	3,823	3,415	15,360	12,063	82	71			57,891	53,696
Internal net sales	–	–	–	–	2	3	36,935	36,028	976	921	-37,914	-36,951	–	–
<b>Net sales</b>	<b>32,424</b>	<b>31,793</b>	<b>6,202</b>	<b>6,354</b>	<b>3,825</b>	<b>3,417</b>	<b>52,295</b>	<b>48,091</b>	<b>1,059</b>	<b>991</b>	<b>-37,914</b>	<b>-36,951</b>	<b>57,891</b>	<b>53,696</b>
Depreciation of property, plant and equipment, and amortisation of intangible non-current assets	-296	-271	-107	-121	-28	-24	-145	-121	-257	-257			-834	-794
Depreciation of right-of-use assets	-838	-777	-352	-340	-77	-69	-251	-231	-47	-43			-1,565	-1,458
<b>Total depreciation/amortisation</b>	<b>-1,135</b>	<b>-1,048</b>	<b>-460</b>	<b>-461</b>	<b>-104</b>	<b>-92</b>	<b>-396</b>	<b>-352</b>	<b>-305</b>	<b>-299</b>			<b>-2,399</b>	<b>-2,252</b>
Share of profit in associated companies	1	–	–	–	–	–	-42	-38	-5	0			-46	-38
Operating profit/loss	1,512	1,551	271	229	193	150	932	829	-203	-250			2,704	2,510
Items affecting comparability	–	–	–	–	–	–	-44	–	59	–			14	–
Operating profit excl. items affecting comparability	1,512	1,551	271	229	193	150	976	829	-262	-250			2,690	2,510
Financial items, net													-122	-116
Consolidated profit before tax													2,582	2,394
<b>Other disclosures</b>														
Investments in non-current assets	438	412	88	110	50	40	843	155	406	313			1,825	1,031
Investments in right-of-use assets	902	918	268	444	79	162	283	184	208	16			1,740	1,725
<b>Total investments in non-current assets</b>	<b>1,339</b>	<b>1,330</b>	<b>355</b>	<b>554</b>	<b>129</b>	<b>203</b>	<b>1,127</b>	<b>340</b>	<b>615</b>	<b>329</b>			<b>3,565</b>	<b>2,755</b>

1) Bergendahl Food AB is included in the segment as of 1 October 2021.

## NOTES

## 4 Acquired and divested operations

### Acquired operations

During the second quarter of 2021, Axfood entered into an agreement with Bergendahl & Son AB to acquire 100% of the wholesale business Bergendahl Food AB ("Bergendahls Food") as well as of a minority stake of 9.9% in City Gross Sverige AB ("City Gross") as part of a strategic partnership with an option to acquire additional shares up to a total shareholding of 30% in City Gross, gradually during a five-year period.

Completion of the deal was subject to approval by the Swedish Competition Authority, which announced on 16 September that its review had been completed and that it had granted clearance for the deal. The acquisitions were completed on 1 October. As of this date, Bergendahl Food AB is consolidated in the Axfood Group and City Gross Sverige AB is recognised as an associated company. The acquisition of Bergendahls Food will be included in the Dagab segment. The minority stake in City Gross will be recognised in the Willys segment in accordance with the equity method since Axfood is deemed to hold a significant influence in the company through agreements and the intention is to exercise the option to acquire additional shares. See Note 21 for more information about City Gross.

The initial consideration amounts to SEK 1.8 bn on a cash and debt-free basis, and upon full exercise of the call option, the total consideration will amount to SEK 2.5 bn, of which SEK 1.5 bn pertains to Bergendahls Food. In connection with transfer of possession, payment was made in cash through a combination of existing cash and credit facilities.

Bergendahls Food is a strong wholesaler in the Swedish food retail industry with approximately 800 employees. Its wholesale operations are conducted from a central warehouse in Hässleholm mainly to City Gross, but also to approximately 170 independent retailers and online retailers. City Gross is a Swedish food retail chain with approximately 2,800 employees. City Gross has 42 stores and an estimated share of the Swedish food retail market of approximately 4%. City Gross will continue to be a standalone grocery chain, but will be integrated with Axfood's IT system and will be supported by the new, coordinated purchasing and logistics operation in Dagab through a 15-year delivery and cooperation agreement that is part of the partnership.

The total consideration for Bergendahl Food AB amounted to SEK 1,893 m, which exceeded the net of the fair value of all identifiable assets and liabilities by SEK 1,011 m. Acquisition costs of SEK 54 m were expensed as other operating expenses in the statement of profit or loss and other comprehensive income. These items are classified as items affecting comparability in the Group's operational monitoring. The surplus values are attributable to customer relationships and goodwill. Customer relationships relate

to the 15-year delivery and cooperation agreement signed with City Gross in conjunction with the transaction and to agreements with independent customers. Goodwill is attributable to the synergy effects expected to arise from the acquisition, including synergy effects related to purchasing, distribution, assortment optimisation, logistics and organisation. Goodwill is not deemed to be tax deductible.

The acquisition of Bergendahl Food AB had an impact of SEK 2,672 m on net sales and SEK 27 m on net profit for the year including adjustments for the transition to IFRS and amortisations on identified customer relationships but excluding impact from acquisition and integration costs. Bergendahl Food AB underwent a restructuring prior to the acquisition and changed its financial year in conjunction with the transaction, making the effect of the acquisition if it had taken place on 1 January 2021 difficult to assess.

The fair value according to the preliminary purchase price allocation is presented in the table below. The purchase price allocation may change after the valuation of the acquired assets is complete.

#### Fair value according to preliminary purchase price allocation, SEK m

Customer relationships	599
Intangible assets	30
Property, plant and equipment	82
Right-of-use assets	580
Inventories	359
Trade receivables	904
Cash and bank balances	260
Other current assets	45
Deferred tax, net	-127
Lease liabilities	-580
Trade payables	-1,072
Other current liabilities	-197
<b>Total acquired identifiable net assets</b>	<b>882</b>
Goodwill	1,011
<b>Total acquired identifiable net assets including goodwill</b>	<b>1,893</b>
<b>Purchase consideration paid</b>	<b>1,893</b>
Cash and cash equivalents in Bergendahl Food AB	-260
<b>Change in consolidated cash and cash equivalents</b>	<b>1,633</b>

### Divested operations

During the year, five (three) store operations were sold. Four 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 recognised separately as discontinued operations in the statement of profit or loss and other comprehensive income. Cash flow from sales of operations during the year amounted to SEK 7 m (3).

In December, Axfood and Mathem entered into a strategic partnership, with Axfood divesting Mat.se in exchange for shares in Mathem equivalent to a shareholding of 16.5%. The consideration amounts to SEK 688 m on a cash and debt-free basis. The completion of the transaction was subject to approval by the Swedish Competition Authority, which was received after the balance sheet date on 9 February 2022. Mat.se is currently an integrated part of Dagab Inköp & Logistik AB. Since the operations are not considered to be available for immediate sale in their present condition as of the balance sheet date, Mat.se is not recognised as a non-current asset held for sale.

## 5 Intra-Group purchases and sales

The Parent Company's revenue from Group companies amounted to SEK 262 m (259). The Parent Company's expenses from Group companies amounted to SEK 88 m (79). The Parent Company's sales to Group companies consist mainly of remuneration to cover shared costs for rents, central administration, and shared systems. The Parent Company's remuneration to Group companies consists mainly of remuneration for system support and rents.

## NOTES

## 6 Distribution of costs by cost type

Group SEK m	2021	2020
Cost of goods for resale	41,998	38,569
Personnel costs	7,916	7,558
Depreciation/amortisation	2,399	2,252
Other	3,616	3,400
<b>Total</b>	<b>55,930</b>	<b>51,779</b>

## 7 Items affecting comparability

SEK m	2021	2020
Acquisition costs	-54	-
Integration costs	-39	-
Structural costs	-6	-
Fora/AFA	112	-
<b>Total</b>	<b>14</b>	<b>-</b>

Acquisition and integration costs totalled SEK -92 m (-) and pertain in their entirety to the Bergendahl Food AB transaction, which is described in Note 4. Acquisition costs consist of costs for financial and legal consulting connected to the acquisition. Integration costs consist of costs for external consultants connected to the ongoing integration project. The costs are recognised in other operating expenses in the statement of profit or loss and other comprehensive income.

Structural costs amounted to SEK -6 m (-) and pertain to the upcoming restructuring of Dagab's logistics operations. Structural costs pertain to personnel costs and are recognised in administrative expenses in the statement of profit or loss and other comprehensive income.

Fora/AFA amounted to SEK 112 m (-) and pertains to payments received from Fora/AFA employer's liability insurance based on earlier premium payments. Revenue is recognised in other operating income in the statement of profit or loss and other comprehensive income.

## 8 Information on employees and remuneration to directors, the President and other senior executives

Average number of employees <sup>1)</sup>	2021			2020		
	Women	Men	Total	Women	Men	Total
<b>Parent Company</b>						
Average number of employees	160	55	215	146	52	198
<b>Subsidiaries</b>						
Average number of employees	6,297	5,690	11,987	5,974	5,279	11,253
<b>Total, Group</b>	<b>6,457</b>	<b>5,745</b>	<b>12,202</b>	<b>6,120</b>	<b>5,331</b>	<b>11,451</b>

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

Gender breakdown of the Board of Directors and senior executives in the Group	2021		2020	
	Women	Men	Women	Men
Board of Directors, Parent Company	43%	57%	38%	62%
Executive Committee	50%	50%	50%	50%

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

Expensed salaries, other remuneration and social security expenses	2021			2020		
	Salaries and remuneration	Social security expenses	Of which, pension costs	Salaries and remuneration	Social security expenses	Of which, pension costs
Parent Company	168	85	32	161	83	26
Subsidiaries	5,063	1,876	423	4,789	1,837	346
<b>Total, Group</b>	<b>5,231</b>	<b>1,961</b>	<b>456</b>	<b>4,950</b>	<b>1,920</b>	<b>372</b>

## NOTES

Note 8, cont.

Board of Directors, Parent Company Expensed remuneration to members of the Board of Directors, KSEK	2021			2020		
	Directors' fees	Committee fees	Total fees	Directors' fees	Committee fees	Total fees
Mia Brunell Livfors (Chairman of the Board)	744	–	744	716	–	716
Lars Olofsson (Vice Chairman of the Board) <sup>1)</sup>	139	–	139	549	–	549
<i>Other directors:</i>						
Stina Andersson	471	75	546	454	56	510
Fabian Bengtsson	471	–	471	454	–	454
Caroline Berg	471	–	471	454	–	454
Jesper Lien <sup>1)</sup>	115	–	115	454	–	454
Christian Luiga	471	150	621	345	113	458
Peter Ruzicka <sup>2)</sup>	356	–	356	–	–	–
Christer Åberg	471	75	546	454	56	510
Anders Helsing (employee rep.)	–	–	–	–	–	–
Michael Sjöörn (employee rep.)	–	–	–	–	–	–
Lars Östberg (employee rep.)	–	–	–	–	–	–
<b>Total</b>	<b>3,710</b>	<b>300</b>	<b>4,010</b>	<b>3,879</b>	<b>225</b>	<b>4,104</b>

1) Resigned in connection with the 2021 AGM

2) Newly elected in connection with the 2021 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 Chairman 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 2021 AGM, the annual fee payable to directors was set at KSEK 3,600 (4,040), of which KSEK 750 (725) is payable to the Chairman. According to a resolution by the 2021 AGM, the fee for work on the Audit Committee was set at KSEK 300 (300). 75% of the fees were paid out in 2021, with the remainder being paid out after year-end.

### Senior executives

The Executive Committee consists of ten individuals. For the composition of the Executive Committee, see page 129.

Expensed remuneration and other benefits	Base salary		Variable remuneration		Other benefits		Pension cost		Other remuneration		Total		Share-based payments <sup>2)</sup>	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
President	7,907	7,747	4,752	4,362	199	178	2,831	2,711	–	–	15,689	14,998	5,987	5,217
Other senior executives, Executive Committee <sup>1)</sup>	24,933	23,662	10,497	9,187	844	807	8,093	7,365	84	72	44,451	41,093	11,054	8,064
<b>Total</b>	<b>32,840</b>	<b>31,409</b>	<b>15,249</b>	<b>13,549</b>	<b>1,043</b>	<b>985</b>	<b>10,924</b>	<b>10,076</b>	<b>84</b>	<b>72</b>	<b>60,140</b>	<b>56,091</b>	<b>17,041</b>	<b>13,281</b>

1) Of expensed base salaries, variable remuneration, share-based payments and other remuneration paid out, KSEK 26,724 (24,924) pertains to remuneration that the senior executives received from other Group companies.

2) Pertains to the year's expensed, calculated outcomes for the incentive programmes LTIP 2019, LTIP 2020 and LTIP 2021, which will be settled in 2022 and later, and the year's expensed outcome for LTIP 2018, which was settled in April 2021.

The Board's Remuneration 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 remuneration and other terms of employment, according to the principles decided on by the AGM. Variable remuneration is based mostly on the Group's earnings and performance, and partly on personal goals. Variable remuneration amounts to a maximum of 60% of the executive's fixed 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 in this part have a solution corresponding to ITP 1. 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 remuneration is based on the earnings and performance of the business. The variable remuneration for the President can amount to a maximum of 60% of his annual salary. 100% of the set variable remuneration is paid out after the AGM 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 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 remuneration that has not fallen due for payment and on departures from the guidelines for remuneration decided on by the 2020 AGM

The previous AGM resolved on guidelines for remuneration and other terms of employment for senior executives for the period up until the 2024 AGM at the latest. In short, these guidelines entail that, in addition to base salary, variable remuneration 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 remuneration is expensed during the financial year and is paid out after the Annual Report has been adopted by the AGM. The guidelines adopted by the 2020 AGM have been followed, and all previously decided remuneration not yet paid out is within the framework described above.

## NOTES

Note 8, cont.

### Long-term incentive programmes

Group	LTIP 2021	LTIP 2020	LTIP 2019	LTIP 2018
Base value, share price, SEK	229.20	204.80	186.00	161.75
Number of participants at start of programme	70	66	58	59
Number of participants on balance sheet date	68	61	52	–
of whom, senior executives	10	9	9	–
Number of outstanding share rights on 1 Jan 2021	–	235,900	175,920	155,663
Number of share rights allotted during the period	251,300	–	–	–
Number of share rights forfeited during the period	3,500	14,000	1,750	45,400
Number of share rights redeemed during the period	–	–	–	110,263
Number of outstanding share rights on 31 Dec 2021 <sup>1)</sup>	247,800	221,900	174,170	–
Maximum number of share rights	273,836	245,687	190,324	–
Average share price on redemption date, SEK	–	–	–	211.67
Weighted average fair value on measurement date for entire term, SEK m <sup>2)</sup>	74.0	61.5	46.1	–
Cost for the year, SEK m	15.2	20.8	15.9	0.0
Accumulated cost, SEK m	15.2	33.7	40.1	29.5
Liability (social security contributions), SEK m	4.3	10.0	12.7	–
Vesting period	3 years	3 years	3 years	3 years
Term	May 2021–April 2024	May 2020–April 2023	May 2019–April 2022	May 2018–April 2021

1) Of the share rights, 290,850 pertain to senior executives for all three programmes.

2) Of total fair value, SEK 82.1 m pertains to senior executives for all three programmes.

The Group has long-term share-based incentive programmes (LTIP) that run over approximately a three-year period. In 2021, the AGM resolved to adopt a new long-term share-based incentive programme, LTIP 2021, and allotment took place under LTIP 2018 using treasury shares.

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

Participation requires that the participants buy or previously own a certain number of shares in Axford ("savings shares"). All participants have bought shares in Axford 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 allotted shares in Axford, 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 allotment of share rights is reduced in

proportion to the amount of the vesting period that had passed at the time of retirement.

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

The fair value of services performed by employees in exchange for allotted share rights is measured on the basis of the fair value of the allotted 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 allotment date of the share rights as a base, and social security expenses 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 straight-line basis over a three-year period and includes social security contributions. The carrying amounts during the year have been affected by individuals who have left the programmes and individuals who have retired.

### Vesting terms

#### LTIP 2021

- Employment in the Axford 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 2021–2023 accumulated up to 10 percentage points better than same period (1–2 share rights)
- Accumulated sales of sustainability-labelled products during the 2021–2023 period reach a level of up to 10% higher than the level as of 31 December 2020 (0–1 share right)

#### LTIP 2020

- Employment in the Axford 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 2020–2022 period reach a level of up to 10% higher than the level as of 31 December 2019 (0–1 share right)

#### LTIP 2019

- Employment in the Axford 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 2019–2021 period reach a level of up to 10% higher than the level as of 31 December 2018 (0–1 share right)

#### LTIP 2018

- Employment in the Axford 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)

## NOTES

Note 8, cont.

### Repurchased shares

To secure the Company's obligation for under the share-based incentive programmes, Axfood repurchases shares in accordance with the resolution passed at each AGM. In 2021, Axfood repurchased 192,000 shares at an average price of SEK 233.68 per share, for a total of SEK 45 m. Allotment was carried out for LTIP 2018 in April 2021 using treasury shares. The holding of treasury shares amounts to 765,980 shares and is sufficient to secure the delivery of shares for all of the Company's incentive programmes.

### Parent Company

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

SEK m	LTIP 2021	LTIP 2020	LTIP 2019	LTIP 2018
Weighted average fair value on measurement date for entire term <sup>1)</sup>	32.3	29.0	24.2	–
Cost for the year	6.6	9.9	8.7	0.5
Accumulated cost	6.6	15.9	20.8	15.4
Liability (social security contributions)	1.9	4.6	6.7	–

1) Of fair value, SEK 54.1 m pertains to senior executives for all three programmes.

### Guidelines for remuneration to senior executives

*Most recent guidelines for remuneration to senior executives as resolved by the 2020 AGM*

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 pertain to remuneration decided on by a general meeting of shareholders, such as directors' fees or share-based incentive programmes.

The guidelines shall be applied for remuneration agreed upon and changes made to already agreed-upon remuneration after the 2020 AGM.

The guidelines apply until the 2024 AGM at the latest. The guidelines govern the decisions on remuneration that are made by the Board's Remuneration Committee with respect to senior executives who report directly to the CEO and by the Board as a whole 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 organisation. 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 capitalisation 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 remuneration. The guidelines ensure that senior executives can be offered a competitive total remuneration package.

Axfood has established long-term share-based incentive programmes. They have been set by the AGM 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 link 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 remuneration shall aim to promote Axfood's business strategy and long-term interests, including sustainability.

### Forms of remuneration

Axfood shall offer remuneration 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. Remuneration may consist of a fixed base salary, short-term variable remuneration, 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 remuneration.

### Fixed salary

Fixed base salary constitutes remuneration 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 annually. Senior executives do not receive fees for board assignments in the Axfood Group's subsidiaries and associated companies.

### Variable remuneration

In addition to fixed base salary, variable remuneration may be payable. Variable remuneration shall be linked to measurable criteria that are formulated to promote the Company's business strategy and long-term interests, including sustainability. The criteria shall be adopted annually by the Remuneration Committee and the Board of Directors. Variable remuneration 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 remuneration can amount to a maximum of 60% of fixed base salary for the measurement period.

Additional variable remuneration may be payable under extraordinary circumstances, provided that such extraordinary arrangements are only made at the individual level for the purpose of recruiting or retaining executives, or as remuneration for an extraordinary work contribution on top of the person's normal work duties. Such remuneration 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 remuneration shall be made by the Board of Directors following preparation by the Remuneration Committee.

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

Variable remuneration 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 remuneration 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 rules other 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.

## NOTES

Note 8, cont.

In addition, remuneration may be payable for any non-compete 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 remuneration shall amount to a maximum of 60% of the executive's average monthly income for the 12 months preceding the end of employment. The remuneration shall be payable during the time that the non-compete 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 remuneration guidelines. Information on the employees' total remuneration, remuneration components and the increase in remuneration and the rate of growth over time has made up part of the Remuneration 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 Remuneration Committee. The committee's duties include conducting preparatory work for the Board's decisions on proposed guidelines for remuneration to senior executives, remuneration 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 AGM.

The guidelines shall apply until new guidelines have been adopted by a general meeting of shareholders. The Remuneration Committee shall also monitor and evaluate ongoing programmes and programmes concluded during the year for variable remuneration to members of the Executive Committee, application of guidelines for remuneration to senior executives, and applicable remuneration structures and remuneration levels at Axfood. The Remuneration Committee's members are independent in relation to Axfood and the Executive Committee. In the Board's handling of and decisions on remuneration-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 Remuneration Committee's duties to conduct preparatory work for the Board's decisions on remuneration matters, which includes decisions to depart from the guidelines.

## 9 Auditors' fees

	Group		Parent Company	
	2021	2020	2021	2020
<b>Deloitte</b>				
Auditing fees	5	5	1	1
Auditing activities in addition to the audit assignment	0	0	0	0
Other services	2	0	2	0
<b>Total</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>2</b>

Audit assignment refers to 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/amortisation

Group	Other intangible assets		Land and buildings		Equipment, tools, fixtures and fittings		Right-of-use assets		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Cost of goods sold	159	157	3	3	547	517	642	598	1,351	1,275
Selling expenses	1	1	0	0	46	45	779	725	827	771
Administrative expenses	13	10	0	0	65	61	143	135	221	206
<b>Total depreciation/amortisation</b>	<b>174</b>	<b>168</b>	<b>3</b>	<b>3</b>	<b>657</b>	<b>623</b>	<b>1,565</b>	<b>1,458</b>	<b>2,399</b>	<b>2,252</b>

The Parent Company's depreciation of SEK 7 m (4) pertains to equipment, tools, fixtures and fittings and is recognised under administrative expenses.

## NOTES

## 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	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
<b>Opening right-of-use assets</b>	5,505	5,267	142	126	9	13
Acquisitions	543	0	31	-	6	-
Newly acquired assets	508	609	47	80	2	4
Sales and disposals	-23	-2	-4	-14	0	-1
Remeasurements	1,176	1,014	7	16	0	2
Depreciation/amortisation	-1,496	-1,383	-64	-66	-5	-9
<b>Closing right-of-use assets</b>	<b>6,212</b>	<b>5,505</b>	<b>160</b>	<b>142</b>	<b>11</b>	<b>9</b>

### Lease liabilities

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

### Amounts recognised in the Statement of profit or loss and other comprehensive income

Group	2021	2020
Depreciation of right-of-use assets	-1,565	-1,458
Interest on lease liabilities	-116	-108
Variable lease payments	-101	-105
Revenue from sub-letting of right-of-use assets	133	115
Costs for short-term leases	-6	-9
Costs for low-value leases	-4	-4

### Amounts recognised in the Statement of cash flows

	2021	2020
Total outgoing cash flow attributable to leases	-1,811	-1,734

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

### 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 sub-lets certain premises as operating leases.

A long-term lease for the logistics centre in Bålsta was signed in 2019 with the property owner NREP Logicens. The lease covers a lease term of 25 years and is an open-book arrangement. The rent is related to the construction cost and will be determined when construction is completed. This arrangement gives Axfood control over the project and minimises long-term rental costs. The rental obligation under the lease will be recognised when the premises are available for use. As of 31 December 2021, the estimated annual base rent amounted to SEK 160 m and the estimated right-of-use asset and lease liability with a lease term of 25 years amounted to SEK 2,800 m.

### 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.

### 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	2021	2020
Within one year	45	44
Between one and five years	170	86
Longer than five years	82	-

### Expensed payments for operating leases amount to:

Parent Company	2021	2020
Minimum lease payments	46	44
Variable payments	-	-
<b>Total lease fees<sup>1)</sup></b>	<b>46</b>	<b>44</b>
Lease income pertaining to sub-let premises	37	36

1) Of which, rents for premises SEK 45 m (44)

### Lessor

The Group sub-lets store premises. The Group classifies these leases as operating leases.

Lease income from leases where the Group is lessor is as follows:

Group	2021	2020
Revenue from sub-letting of right-of-use assets	133	115

Term analysis of undiscounted lease payments to be received after the balance sheet date.

Group	2021	2020
Within one year	136	113
Between one and two years	116	95
Between two and three years	78	76
Between three and four years	51	46
Between four and five years	24	30
Later than five years	12	18
<b>Total undiscounted lease payments</b>	<b>417</b>	<b>378</b>

## NOTES

## 12 Related party transactions

The Axfood Group's transactions with related parties, aside from those covered by the consolidated financial statements, 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 of which are companies within

the Axel Johnson Group. Martin & Servera AB delivers foodservice products to companies in the Axfood Group, and 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 of 31 December 2021.

Group	Sales to related parties		Purchases from related parties		Receivables from related parties		Liabilities to related parties	
	2021	2020	2021	2020	2021	2020	2021	2020
Associated companies	2,049	50	-	-	750	12	1	-
Other related parties	17	17	141	120	2	2	14	18
<b>Total</b>	<b>2,066</b>	<b>67</b>	<b>141</b>	<b>120</b>	<b>752</b>	<b>14</b>	<b>15</b>	<b>18</b>

## 13 Net financial items

	Group		Parent Company	
	2021	2020	2021	2020
Interest income	4	6	1	0
Interest income from Group companies	-	-	7	7
Other financial income	8	9	-	0
	<b>12</b>	<b>16</b>	<b>7</b>	<b>8</b>
Interest expenses	-7	-6	-3	0
Interest expenses to Group companies	-	-	0	0
Interest expenses for leases	-116	-108	-	-
Other financial expenses	-11	-18	-9	-10
	<b>-134</b>	<b>-132</b>	<b>-12</b>	<b>-10</b>
<b>Net financial items</b>	<b>-122</b>	<b>-116</b>	<b>-4</b>	<b>2</b>

## 14 Appropriations and untaxed reserves

	Parent Company	
	2021	2020
<b>Appropriations</b>		
Group contribution received	2,641	2,367
Group contribution paid	-21	-
Provision to tax allocation reserve	-720	-640
Dissolution of tax allocation reserve	426	355
Change in accumulated excess depreciation	-1	0
<b>Total</b>	<b>2,326</b>	<b>2,082</b>
<b>Untaxed reserves</b>		
Tax allocation reserves	3,485	3,191
Accumulated excess depreciation	2	1
<b>Total</b>	<b>3,487</b>	<b>3,192</b>

## 15 Taxes

	Group		Parent Company	
	2021	2020	2021	2020
<b>Current tax</b>				
Current tax on net profit for the year	-491	-458	-455	-417
Adjustment of current tax from previous years	0	1	-	0
Deferred tax on temporary differences	3	-74	-1	-1
<b>Recognised tax expense</b>	<b>-488</b>	<b>-531</b>	<b>-456</b>	<b>-418</b>

### Group, reconciliation of effective tax rate

	2021	%	2020	%
Recognised profit before tax	2,582		2,394	
Tax based on applicable tax rate	-532	-20.6	-512	-21.4
Tax effect and percentage impact of:				
Non-deductible expenses	-16	-0.6	-14	-0.6
Tax-exempt revenue	4	0.1	4	0.2
Profit participations recognised in accordance with the equity method	-9	-0.4	-8	-0.3
Deferred tax attributable to tax credit on investments	49	1.9	-	-
Other	16	0.6	0	0.0
<b>Recognised tax expense/effective tax rate</b>	<b>-488</b>	<b>-18.9</b>	<b>-531</b>	<b>-22.2</b>
Tax attributable to other comprehensive income <sup>1)</sup>	-13		14	

1) Of which, attributable to changed tax rates SEK - m (-1).

## NOTES

Note 15, cont.

### Parent Company, reconciliation of effective tax rate

	2021	%	2020	%
Recognised profit before tax	2,170		1,925	
Tax based on applicable tax rate	-447	-20.6	-412	-21.4
Tax effect and percentage impact of:				
Non-deductible expenses	-1	-0.0	-1	-0.0
Taxable income not recognised in the income statement	-9	-0.4	-5	-0.2
Other	0	0.0	0	0.0
<b>Recognised tax expense/effective tax rate</b>	<b>-456</b>	<b>-21.0</b>	<b>-418</b>	<b>-21.7</b>
Current and deferred tax items recognised directly against equity	-		-	

### Recognised deferred tax assets and tax liabilities

	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Intangible assets	-196	-86	-	-
Equipment, tools, fixtures and fittings	61	11	0	-
Deficit	102	71	-	-
Other receivables	0	-	-	-
Untaxed reserves	-975	-868	-	-
Provisions	37	41	5	7
Right-of-use assets/ lease liabilities	69	74	-	-
Other liabilities	26	31	-	-
Other	10	-	0	-
<b>Total deferred tax asset (+)/ deferred tax liability (-), net</b>	<b>-866</b>	<b>-726</b>	<b>6</b>	<b>7</b>
Deferred tax asset	346	253	6	7
Deferred tax liability	-1,212	-979	-	-

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

### Group, change in deferred tax

	2021				
	Amount at start of year	Recognised in net profit for the year	Effect of acquired companies/sold companies	Recognised in other comprehensive income	Amount at end of year
Intangible assets	-86	-5	-104	-	-196
Equipment, tools, fixtures and fittings	11	50	-	-	61
Deficit	71	31	-	-	102
Other receivables	-	-	0	-	0
Untaxed reserves	-868	-82	-26	-	-975
Provisions	41	-2	0	-2	37
Right-of-use assets/ lease liabilities	74	-4	-	-	69
Other liabilities	31	5	0	-11	26
Other	-	10	-	-	10
<b>Total</b>	<b>-726</b>	<b>3</b>	<b>-130</b>	<b>-13</b>	<b>-866</b>

	2020				
	Amount at start of year	Recognised in net profit for the year	Effect of acquired companies/sold companies	Recognised 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>14</b>	<b>-726</b>

## 16 Earnings per share

### Group

	2021	2020
Earnings per share before dilution, SEK	10.28	9.12
Earnings per share after dilution, SEK	10.24	9.09
Number of shares outstanding at end of period	209,104,732	209,198,604
Average number of shares outstanding before dilution	209,158,470	209,253,740
Average number of shares outstanding after dilution	209,875,766	209,877,099

Earnings per share is based on net profit for the year attributable to owners of the parent, divided by the average number of shares outstanding. Dilution pertains to long-term share-based incentive programmes (LTIP).

## NOTES

## 17 Intangible assets

Group	Goodwill		Intangible assets in progress		Other intangible assets <sup>1)</sup>	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening cost	2,769	2,767	263	167	2,197	2,084
Business combinations	1,011	-	1	-	733	-
Investments	65	2	241	196	2	15
Disposals	-	-	-	-	-	-4
Reclassifications	-	-	-57	-100	57	102
<b>Closing accumulated cost</b>	<b>3,846</b>	<b>2,769</b>	<b>448</b>	<b>263</b>	<b>2,988</b>	<b>2,197</b>
Opening amortisation	-	-	-	-	-1,634	-1,470
Opening amortisation from business combinations	-	-	-	-	-104	-
Disposals	-	-	-	-	-	4
Amortisation for the year	-	-	-	-	-174	-168
<b>Closing accumulated amortisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,910</b>	<b>-1,634</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>3,846</b>	<b>2,769</b>	<b>448</b>	<b>263</b>	<b>1,001</b>	<b>487</b>

1) Of other intangible assets, SEK 593 m (9) pertains to customer relationships, SEK 269 m (336) to IT development, SEK 138 m (138) to trademarks, SEK 1 m (4) to leaseholds.

2) Closing impairment 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 operating segments. The Group's recognised goodwill is broken down as follows:

	31 Dec 2021	31 Dec 2020
Hemköp	619	606
Willys	968	915
Snabbgross	57	57
Dagab	2,202	1,191
<b>Total</b>	<b>3,846</b>	<b>2,769</b>

### Other intangible assets

Other intangible assets consist largely of customer relationships and capitalised costs for IT development.

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

Estimates 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 calculating the respective units' value in use are based on the business plan for 2022 for the respective units. Thereafter, the cash flows are based on assumed annual growth of 2.0% (2.0). The forecast cash flows have been discounted to present value, which has resulted in a discount rate of 5.8% after tax (5.8), which corresponds to a discount rate before tax of approximately 6.9% (6.8). The discount rate corresponds to Axfood's estimated average cost of capital, meaning the weighted sum of the required rate of return on equity and the cost of externally borrowed capital. With a discounting factor of 5.8% (5.8), value in use exceeds the carrying amount for all tested units. Thus, there is no need to recognise impairment as of 31 December 2021. Future cash flows for all units are based on the same assumptions. Important assumptions, meaning assumptions that have a large effect on cash flows in the event of changes, include the discount rate and assumptions of future price and volume developments. In the 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 by both 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. Assessed effects of the Covid-19 pandemic have also been taken into account. In the opinion of the Executive Committee, reasonable, possible changes in these assumptions would not have such a large effect that they individually would reduce the recoverable amount to a value that is lower than the carrying amount.

## NOTES

## 18 Property, plant and equipment

Group	Land and buildings		Equipment, tools, fixtures and fittings		Construction in progress	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Opening cost	159	156	7,910	7,607	613	584
Business combinations	-	-	198	-	7	-
Investments	-	3	165	551	1,352	263
Sales and disposals	-	-	-40	-479	-4	-
Reclassifications	2	-	542	230	543	-234
<b>Closing accumulated cost</b>	<b>162</b>	<b>159</b>	<b>8,377</b>	<b>7,910</b>	<b>1,425</b>	<b>613</b>
Opening depreciation	-13	-10	-5,756	-5,592	-	-
Opening depreciation from business combinations	-	-	-123	-	-	-
Sales and disposals	-	-	378	459	-	-
Depreciation for the year	-3	-3	-657	-623	-	-
<b>Closing accumulated depreciation</b>	<b>-17</b>	<b>-13</b>	<b>-6,130</b>	<b>-5,756</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>144</b>	<b>146</b>	<b>2,246</b>	<b>2,153</b>	<b>1425</b>	<b>613</b>

Parent Company	Equipment, tools, fixtures and fittings	
	31 Dec 2021	31 Dec 2020
Opening cost	92	72
Investments	13	27
Sales and disposals	-8	-7
<b>Closing accumulated cost</b>	<b>97</b>	<b>92</b>
Opening depreciation	-58	-55
Sales and disposals	4	2
Depreciation for the year	-7	-4
<b>Closing accumulated depreciation</b>	<b>-60</b>	<b>-58</b>
<b>Closing planned residual value</b>	<b>37</b>	<b>35</b>

## 19 Government assistance and grants

The Axfood Group has received labour market policy grants amounting to SEK 43 m (47), which has been recognised as a reduction in personnel costs.

The Axfood Group has received government assistance in the form of compensation for sick pay costs amounting to SEK 76 m (96), which has been recognised as other operating income.

No other unfulfilled conditions or contingent liabilities exist.

## NOTES

## 20 Participations in Group companies

### Axfood AB's direct and indirect holdings of shares and participations in subsidiaries

Parent Company	2021	2020	Parent Company	Corp. reg. no.	Registered office	No. of participations	Capital and voting rights, %	Book value 31 Dec 2021	Book value 31 Dec 2020
Opening cost	3,809	3,747	Willlys AB	556163-2232	Gothenburg	1,000	100	449	445
Acquisitions during the year	-	-	Hemköpskedjan AB	556113-8826	Stockholm	100,000	100	572	570
Shareholder contribution <sup>1)</sup>	69	63	Hemköp i Ludvika AB	559019-8841	Ludvika	1,000	100	-	-
<b>Closing accumulated cost</b>	<b>3,879</b>	<b>3,809</b>	Hemköp i Värnamo AB	559019-8833	Stockholm	910	91	-	-
<b>Closing accumulated impairment</b>	<b>-350</b>	<b>-350</b>	Hemköp i Västerås City AB	559019-8783	Stockholm	1,000	100	-	-
<b>Closing accumulated book value</b>	<b>3,529</b>	<b>3,459</b>	Hemköp i Härnösand AB	559069-0854	Stockholm	910	91	-	-
			Hemköp i Tallboda AB	559067-5467	Linköping	1,000	100	-	-
			Hemköp i Sollentuna AB	559155-7854	Stockholm	910	91	-	-
			Hemköp i Lerum AB	559229-8904	Stockholm	1,000	100	-	-
			Hemköp 120 AB	559329-5586	Stockholm	910	91	-	-
			Hemköp 121 AB	559329-4134	Stockholm	1,000	100	-	-
			Hemköp 122 AB	559329-4134	Stockholm	1,000	100	-	-
			Hemköp 123 AB	559339-8299	Stockholm	1,000	100	-	-
			Dagab Inköp & Logistik AB	556004-7903	Stockholm	3,434,656	100	2,146	2,139
			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	-	-
			Bergendahl Food AB	556342-7698	Stockholm	500,000	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	9	7
			Axfood Investering och Utveckling AB	559229-8896	Stockholm	1,000	100	0	-
			Dagab AB	556070-3166	Stockholm	20,000	100	0	0
			Axfood Snabbgross AB	556000-3575	Stockholm	1,500	100	51	48
			NAX AB	559029-7809	Stockholm	510	51	302	251
			Eurocash Food AB	556503-6141	Strömstad	45,000,000	100	-	-
			<b>Total, Group companies</b>					<b>3,529</b>	<b>3,459</b>

1) Of which, shareholder contribution to Nax AB amounted to SEK 51 m (51).

## NOTES

## 21 Participations in associated companies

Axfood AB has one directly owned associated company, Humla AB. The other associated companies are owned by Axfood AB's subsidiaries.

The online pharmacy Apohem AB is a company that is jointly owned by Axfood and two additional parties. Axfood owns 53.4% (52.6) of the company through Dagab Inköp & Logistik AB. 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.

The City Gross Sverige AB hypermarket chain is 9.9%-owned by a subsidiary in the Axfood Group. City Gross was acquired on 1 October 2021. In conjunction with the acquisition, Axfood also entered into a call option agreement to acquire additional shares up to a total shareholding of 30% in City Gross, gradually during a five-year period. As of 2021-12-31 the call options have not been recognised to any value. City Gross is recognised as an associated company since Axfood is deemed to hold a significant influence in the company through agreements and the intention is to exercise the option to acquire additional shares. City Gross's financial year does not correspond with the Axfood Group's financial year.

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

Reconciliation of book value and reported profit participation	Group		Parent Company	
	2021	2020	2021	2020
Opening cost	101	51	6	-
Acquisition of associated companies	339	0	-	0
New issue	41	27	-	-
Shareholder contribution paid	16	23	5	6
<b>Closing cost</b>	<b>497</b>	<b>101</b>	<b>11</b>	<b>6</b>
<i>Adjustments of equity</i>				
Opening carrying amount	-73	-35		
Share of profits <sup>1)</sup>	-46	-38		
<b>Closing carrying amount</b>	<b>-119</b>	<b>-73</b>		
<b>Book value</b>	<b>378</b>	<b>28</b>		

1) Corresponds to total comprehensive income.

Associated companies	Corp. reg. no.	Registered office	Share of voting capital, % 2021	Share of voting capital, % 2020	Book value 31 Dec 2021	Book value 31 Dec 2020
<b>Owned directly by Axfood AB</b>						
Humla AB <sup>1)</sup>	559236-9341	Stockholm	25.0	25.0	6	6
<b>Owned indirectly by Axfood AB</b>						
Apohem AB	559094-8401	Stockholm	53.4	52.6	32	22
City Gross Sverige AB	556597-2451	Hässleholm	9.9	-	340	-
Svinesunds Handels AB	556872-4362	Strömstad	24.0	24.0	0	0
United Nordic Inc AB	556043-4606	Solna	25.0	25.0	0	0
<b>Total</b>					<b>378</b>	<b>28</b>

1) The book value in the Parent Company amounts to SEK 11 m (6).

Reconciliation of reported profit participation	Apohem		City Gross	
	2021	2020	2021	2020
Net profit for the year	-80	-73	15	-
Share of profit	-42	-38	1	-
<b>Reported profit participation</b>	<b>-42</b>	<b>-38</b>	<b>1</b>	<b>-</b>
<b>Reconciliation of book value</b>				
Share of equity	15	8	36	-
Surplus value	18	14	305	-
<b>Book value</b>	<b>32</b>	<b>22</b>	<b>340</b>	<b>-</b>

Condensed income statement and balance sheet	Apohem		City Gross <sup>1)</sup>	
	2021	2020	2021	2020
Sales	232	137	2,521	-
Net profit for the year	-80	-73	15	-
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-80</b>	<b>-73</b>	<b>15</b>	<b>-</b>
Non-current assets	3	3	587	-
Current assets	78	28	1,258	-
<b>Total assets</b>	<b>81</b>	<b>31</b>	<b>1,845</b>	<b>-</b>
Equity	18	10	360	-
Non-current liabilities	1	1	50	-
Current liabilities	62	20	1,435	-
<b>Liabilities and equity</b>	<b>81</b>	<b>31</b>	<b>1,845</b>	<b>-</b>

1) Pertains to the October–December 2021 period

## NOTES

## 22 Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Prepaid rents	117	100	–	–
Accrued bonuses and similar	759	725	7	5
Delivered, uninvoiced	0	0	–	–
Other prepaid expenses	282	173	28	18
Other accrued income	38	36	0	0
<b>Total</b>	<b>1,196</b>	<b>1,034</b>	<b>35</b>	<b>23</b>

## 23 Equity

	31 Dec 2021	31 Dec 2020
No. of shares	209,870,712	209,870,712
Number of treasury shares	765,980	672,108
Number of shares outstanding	209,104,732	209,198,604

### Share capital

The share capital as per 31 December 2021 amounted to SEK 262,338,390 (262,338,390). The Company has only one class of shares, with equal voting power and equal entitlement to the Company's profit 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).

### Other capital contributions

Other capital contributions comprise the contributions made by shareholders in addition to share capital.

### 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.

### Non-controlling interests

Pertains to Nax AB, Urban Deli Holding AB and companies in the Hemköp segment in accordance with the 91/9 model. Shareholder contributions were provided to Nax AB during the year based on each owner's shareholding.

### 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 2021. During the year, no changes were made to the Group's principles for capital management. Axfood's managed capital comprises the Group's recognised equity.

### Proposed disposition of profit

The Board of Directors proposes the following appropriation of the available funds:

#### SEK

Profit brought forward	783,101,156
Net profit for the year	1,713,664,404
<b>Total</b>	<b>2,496,765,560</b>

be disposed as follows:

#### SEK

SEK 7.75 per share to be distributed to shareholders	1,620,561,673
To be carried forward	876,203,887
<b>Total</b>	<b>2,496,765,560</b>

## NOTES

Note 24, cont.

## 24 Provisions for pensions

### Group

	31 Dec 2021	31 Dec 2020
<b>Defined benefit pension plans</b>		
Present value of funded obligations	8	8
Present value of unfunded obligations	371	403
<b>Total present value of obligations</b>	<b>378</b>	<b>411</b>
Fair value of plan assets	-8	-8
<b>Present value of net obligations</b>	<b>371</b>	<b>403</b>
Amounts recognised in statement of financial position		
– provisions	371	403
– assets	–	–
<b>Net liability in statement of financial position</b>	<b>371</b>	<b>403</b>

Of Axfood's net liability for defined benefit pension plans in Sweden, SEK 361 m (387) consists of obligations within the PRI system. All obligations are locked, which for Axfood's part entails that all new vesting now takes place in the Alecta system. Obligations in the PRI system are unfunded pension plans, which is why these are recognised in their entirety as "Provisions for pensions."

The net liability also includes the Company's own defined benefit pension plans, totalling SEK 10 m (15). 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 recognised net and amounts to SEK 0 m (0). No fees were paid in to the foundation during the year.

Changes in the present value of obligations for defined benefit plans	31 Dec 2021	31 Dec 2020
Opening balance	411	429
Benefits paid	-27	-27
Interest expenses	3	5
Remeasurements:		
Actuarial gains and losses on changed financial assumptions	-11	9
Experience-based adjustments	2	-4
<b>Obligations for defined benefit plans</b>	<b>378</b>	<b>411</b>

The present value of obligations is distributed among the plans' members as follows	31 Dec 2021	31 Dec 2020
Active	0	0
Persons on disability pensions	9	4
Owners of paid-up policies	479	528
Retirees	1,288	1,309
<b>Total number of pledges</b>	<b>1,776</b>	<b>1,841</b>
<b>Change in net liability during the year</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Opening balance	403	421
Compensation from pension foundation	1	1
Net expense in net profit for the year	3	4
Pension disbursements	-27	-27
Actuarial losses/gains recognised as a liability	-9	5
<b>Net liability at year-end</b>	<b>371</b>	<b>403</b>

Actuarial assumptions made in calculating the present value of defined benefit obligations	2021	2020
Discount rate	1.60%	0.80%
Future annual pension increases (inflation)	2.10%	1.50%
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

1) Corresponds to the average remaining duration of the obligations.

Sensitivity analysis	Increase	Decrease
Discount rate (-/+ 0.5% change)	28	25
Inflation (+/- 0.5% change)	27	24
Longevity (+/- 1 year change)	18	18

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

Pension costs in comprehensive income for the year	2021	2020
<i>Defined benefit pension plans</i>		
Interest expense	3	5
Actual return on plan assets	0	0
<b>Total</b>	<b>3</b>	<b>5</b>
<i>Defined contribution pension plans</i>		
Costs during the period	452	370
<b>Total</b>	<b>452</b>	<b>370</b>
<b>Total pension cost in net profit for the year</b>	<b>455</b>	<b>375</b>
Remeasurements recognised in other comprehensive income, gains (-)/losses (+)	12	-6
<b>Pension cost in comprehensive income for the year</b>	<b>467</b>	<b>369</b>

Pension insurance premiums paid during the year to Alecta for pension insurance under the ITP plan amounted to SEK 183 m (134). Alecta's surplus can be apportioned among the policyholders and/or the insured. As of 31 December 2021, Alecta's surplus in the form of its collective funding ratio was according to preliminary information 172% (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 IAS 19.

Pension costs are broken down in net profit for the year per function as follows	2021	2020
Cost of goods sold	250	200
Selling expenses	96	85
Administrative expenses	106	85
Interest expenses	3	5
<b>Total</b>	<b>455</b>	<b>375</b>

### Effects on future cash flows

The Group estimates that approximately SEK 27 m (27) will be paid into defined benefit plans in 2022.

## NOTES

Note 24, cont.

### Parent Company

Recognised capital value of pension obligations	31 Dec 2021	31 Dec 2020
Opening balance	15	20
Benefits paid	-5	-5
Interest expenses	0	0
<b>Recognised capital value</b>	<b>10</b>	<b>15</b>

The Parent Company's recognised pension liability amounted to SEK 10 m (15) and pertains to obligations to the former President. The Parent Company does not have any special, separable assets linked to its pension obligations, which is why the entire capital value is recognised in the balance sheet.

Of the Parent Company's recognised pension liability, SEK 10 m (15) is covered by credit insurance via PRI.

Pension costs	2021	2020
<i>Own undertakings</i>		
Liability indexing of undertakings	0	0
Interest expenses	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<i>Undertakings through insurance</i>		
Insurance premiums <sup>1)</sup>	27	21
Special employer's payroll tax on pension contributions	6	5
<b>Total</b>	<b>32</b>	<b>26</b>
<b>Pension costs for the year</b>	<b>32</b>	<b>26</b>

1) Of which, premiums paid to Alecta for pension insurance according to the ITP plan, totalling SEK 22 m (17).

### 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 2.51% (0.39).

It is estimated that approximately SEK 5 m (5) will be paid out in pensions by the Parent Company in 2022.

## 25 Financial assets and liabilities

Group	31 Dec 2021	31 Dec 2020
<b>Financial assets measured at fair value through profit or loss</b>		
Other current receivables – Forward exchange contracts (Level 2)	1	–
<b>Financial assets measured at amortised cost</b>		
Other long-term securities holdings	0	0
Other non-current receivables	6	6
Trade receivables	2,292	1,033
Cash and cash equivalents	734	1,534
<b>Total financial assets</b>	<b>3,032</b>	<b>2,573</b>
<b>Financial liabilities measured at fair value through profit or loss</b>		
Other non-current liabilities – Forward exchange contracts (Level 2)	18	65
Other current liabilities – Forward exchange contracts (Level 2)	33	49
<b>Financial liabilities measured at amortised cost</b>		
Lease liabilities	6,404	5,708
Current interest-bearing liabilities	1,600	–
Trade payables	5,845	4,424
<b>Total financial liabilities</b>	<b>13,899</b>	<b>10,246</b>

### Fair value of financial instruments

Forward exchange contracts are approximated at fair value based on the Central Bank of Sweden's prices on the accounting date. For other financial assets and liabilities, the carrying amount represents a reasonable approximation of fair value.

## NOTES

## 26 Financial risk management

### Framework for financial risk management

The Axford Group is exposed to financial risks, which are described under the respective type of risk below. The Axford Group has a Group-wide finance policy that regulates the delegation of responsibility for financial matters between the Board, the CEO, the CFO, Group Treasury and other Group companies. The Group's external financing and financial risk management is handled by Group Treasury of the Parent Company, Axford 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 Axford 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 Axford 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, Axford 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 leases, is to 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 Axford Group being unable to meet its short-term payment obligations. Axford mitigates its liquidity risk by coordinating the management of surplus liquidity and financing within the Group. In addition, liquidity risk is mitigated by Axford ensuring that a liquidity reserve is always available that can handle fluctuations in forecast 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 unutilised credit facilities at the end of every business day. Bank overdraft facilities may not be included in the credit framework in the calculation of the liquidity reserve.

### Rights issue

During the second quarter of 2022, Axford intends to carry out a new share issue of about SEK 1.5 billion, with preferential rights for existing shareholders, in order to maintain a strong financial position. A proposal will be made to Axford's AGM to authorise the Board to carry out the rights issue. The terms will be disclosed in conjunction with the Board's decision on the issue with the support of the AGM's authorisation.

### Group

Credit lines	31 Dec 2021	31 Dec 2020
<b>Granted credit lines</b>		
Revolving credit facility	3,500	3,600
<b>Total granted credit lines</b>	<b>3,500</b>	<b>3,600</b>
Utilised credit lines	-1,600	-
<b>Unutilised credit lines</b>	<b>1,900</b>	<b>3,600</b>
Available bank balances	328	1,139
<b>Liquidity reserve</b>	<b>2,228</b>	<b>4,739</b>
<b>Other credit lines</b>		
Bank overdraft facilities	300	-

In 2021, an agreement was signed to extend the maturity of the Group's existing revolving credit facility of SEK 3,500 m. The maturity was extended by two years until the end of 2026. An agreement was also signed for a new bank overdraft facility of SEK 300 m.

### Group

Maturity structure for financial liabilities	<1 yr	1–2 yrs	3–5 yrs	>5 yrs
Forward exchange contracts	33	13	5	-
Trade payables	5,845	-	-	-
Lease liabilities	1,652	1,361	2,348	1,466
<b>Total</b>	<b>7,530</b>	<b>1,374</b>	<b>2,353</b>	<b>1,466</b>

### Investment policy

The Axford Group's investment policy aims to ensure the Axford Group's ability to pay in the short and long term. Furthermore, 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 finance policy. Investments may only be made in highly liquid instruments with low credit risk, meaning investments that can be converted to cash and cash equivalents at any given point in time. As of 31 December 2021, the Axford Group only had 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 Group Treasury and other Group

companies. The Axford 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 Axford Group's known outflows and/or payment of principal. The norm for Axford is a remaining average term of fixed interest rates in the asset portfolio of 0–12 months. The goal is that no fixed-income investments are to be sold prior to maturity. As of 31 December 2021, the Axford 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 a maximum of 12 months. This interest rate risk norm applies only when the Group has a need for long-term borrowing. As of 31 December 2021, the Axford Group had no long-term borrowing.

The effect on interest income during the coming 12-month period of a 1 percentage point increase or decrease in interest rates on interest-bearing assets amounts to SEK +/-3.3 m (11.4).

As of 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, the effect on interest expenses of a 1 percentage point increase/decrease in the interest rate on interest-bearing liabilities would amount to SEK +/-83.8 m (61.1), mainly attributable to the Group's recognised lease liabilities.

### 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 kronor (NOK). Transaction exposure also arises in connection with investments in non-current assets contracted in foreign currency.

The Axford Group's finance policy prescribes that 100% of orders are to be hedged at the time the order is placed. Overheads in foreign currency are 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 differently. Such a decision has been made regarding the investment in automation in Bålsta with Witron, entailing that hedges have been taken out as follows:

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

The hedge scale above entails that 93% of the remaining contract value on the balance sheet date is hedged.

## NOTES

Note 26, cont.

Approved hedge instruments are forward exchange contracts and currency swap contracts. In 2021, hedges were taken out using these instruments.

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

## Group

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

Currency	Net outflow, SEK m	%	Change
EUR	-5,881	93.8	+/- 588.1
USD	-321	5.1	+/- 32.1
DKK	-68	1.1	+/- 6.8
GBP	-2	0.0	+/- 0.2
<b>Total</b>	<b>-6,272</b>	<b>100</b>	
NOK	56	100	+/- 5.6
<b>Total</b>	<b>56</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 linked to the respective orders. Based on this value, the price in stores is then determined for the respective products.

## Changes in forward exchange contracts measured at fair value

	2021	2020
Amount at start of year	-114	-46
Change recognised in other comprehensive income	54	-65
Realised changes	12	-3
<b>Amount at end of year</b>	<b>-49</b>	<b>-114</b>

## Recognised fair value (SEK m) of outstanding forward exchange contracts

Currency	2021	2020
EUR	-51	-111
USD	1	-3
Others	0	0
<b>Total</b>	<b>-49</b>	<b>-114</b>

Of the recognised fair value in EUR, SEK -50 m (-102) consists of hedging for investments in automation. The carrying amount of the total hedging reserve is presented in the summary of changes in equity. The ineffective portion of cash flow hedges that has been recognised in net profit for the year amounts to SEK - m (-).

## 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 goods for resale that the Group buys and in partly in operational overheads. Axfood has a policy to not hedge commodity price risks in the operations' goods for resale. 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 linked 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 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 recognised 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 133 m (44) of outstanding trade receivables. Collateral received consists mainly of chattel mortgages, bank guarantees and guarantee commitments. In 2021, a total of SEK 0 m (0) of collateral received was utilised to settle unpaid trade receivables. The credit quality of unimpaired receivables is considered to be good.

Trade receivables are measured at amortised 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 8 m (7), of which SEK 7 m pertains to trade receivables that are more than 90 days past due.

## Trade receivables

## Group

Carrying amounts	31 Dec 2021	31 Dec 2020
Trade receivables, gross	2,300	1,040
Provision for expected credit losses	-8	-7
<b>Trade receivables, net</b>	<b>2,292</b>	<b>1,033</b>

## Changes in provision for expected credit losses

	31 Dec 2021	31 Dec 2020
Opening balance	-7	-6
Provisions	-1	0
Reversals	-1	-1
Confirmed and recovered credit losses	1	1
<b>Closing balance</b>	<b>-8</b>	<b>-7</b>

## Maturity analysis of trade receivables

	31 Dec 2021	31 Dec 2020
Trade receivables not due	2,129	926
Trade receivables past due 0–30 days	151	80
Trade receivables past due >30–90 days	10	15
Trade receivables past due >90–180 days	3	5
Trade receivables past due >180–360 days	4	9
Trade receivables past due >360 days	3	5
<b>Total</b>	<b>2,300</b>	<b>1,040</b>

## NOTES

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

	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
<b>Non-current interest-bearing liabilities</b>				
Long-term lease liabilities	4,856	4,524	-	-
Provisions for pensions	371	403	10	15
<b>Total non-current interest-bearing liabilities</b>	<b>5,227</b>	<b>4,928</b>	<b>10</b>	<b>15</b>
<b>Current interest-bearing liabilities</b>				
Current liabilities to credit institutions	1,600	-	1,600	-
Current lease liabilities	1,548	1,184	-	-
Liabilities to Group companies <sup>1)</sup>	-	-	2,256	3,165
<b>Total current interest-bearing liabilities</b>	<b>3,148</b>	<b>1,184</b>	<b>3,856</b>	<b>3,165</b>

1) Recognised in the Parent Company balance sheet as part of liabilities to Group companies.

Net debt/ net receivable	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Non-current interest-bearing liabilities	5,227	4,928	10	15
Current interest-bearing liabilities	3,148	1,184	3,856	3,165
Non-current interest-bearing receivables	0	0	-	-
Current interest-bearing receivables <sup>1)</sup>	-	-	-3,844	-2,165
Cash and cash equivalents	-734	-1,534	-321	-1,141
<b>Net debt (+) /net receivable (-)</b>	<b>7,640</b>	<b>4,577</b>	<b>-299</b>	<b>-127</b>

1) Recognised in the Parent Company balance sheet as part of receivables from Group companies.

### Group

Reconciliation of liabilities attributable to financing activities	31 Dec 2020	Cash changes <sup>1)</sup>	Non-cash changes	31 Dec 2021
Current interest-bearing liabilities excl. lease liabilities	-	1,600	-	1,600
Lease liabilities	5,708	-1,578	2,274	6,404
<b>Reconciliation of liabilities attributable to financing activities</b>	<b>5,708</b>	<b>22</b>	<b>2,274</b>	<b>8,004</b>

Reconciliation of liabilities attributable to financing activities	31 Dec 2019	Cash changes <sup>1)</sup>	Non-cash changes	31 Dec 2020
Lease liabilities	5,508	-1,515	1,715	5,708
<b>Reconciliation of liabilities attributable to financing activities</b>	<b>5,508</b>	<b>-1,515</b>	<b>1,715</b>	<b>5,708</b>

1) Included in amortisation of debt attributable to financing activities in the Statement of cash flows, Group, see page 48.

## NOTES

## 28 Accrued expenses and deferred income

	Group		Parent Company	
	2021	2020	2021	2020
Payroll-related items	1,763	1,599	65	67
Accrued bonuses and similar	243	146	–	–
Accrued real estate costs	52	68	–	–
Received, uninvoiced	125	91	–	–
Other accrued expenses	255	219	8	8
Other deferred income	103	103	4	4
<b>Total</b>	<b>2,541</b>	<b>2,225</b>	<b>76</b>	<b>79</b>

## 29 Pledged assets and contingent liabilities

	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
<b>Pledged assets</b>				
Chattel mortgages as collateral for bank guarantees	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

	Group		Parent Company	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
<b>Contingent liabilities</b>				
Guarantees for subsidiaries	–	–	244	256
Guarantees for others	2	2	–	–
PRI	5	5	–	–
Other contingent liabilities	13	12	1	1
<b>Total</b>	<b>20</b>	<b>19</b>	<b>244</b>	<b>256</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 credit losses. Other contingent liabilities consist primarily of counterbonds for bank guarantees that have been made for the Axfood Group.

For further information on financial risk management, see Note 26.

## 30 Events after the balance sheet date

Sandra Brånstad, General Counsel, took office as a member of the Executive Committee on 1 February 2022.

On 9 February 2022, approval was received by the Swedish Competition Authority regarding the transaction with Mathem. The transaction will be completed 1 March 2022.

## NOTES

## 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 give 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 2022. 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 AGM on 23 March 2022.

Stockholm, 18 February 2022

Mia Brunell Livfors  
*Chairman of the Board*

Stina Andersson  
*Director*

Fabian Bengtsson  
*Director*

Caroline Berg  
*Director*

Christian Luiga  
*Director*

Peter Ruzicka  
*Director*

Christer Åberg  
*Director*

Anders Helsing<sup>1)</sup>

Michael Sjören<sup>1)</sup>

Lars Östberg<sup>1)</sup>

Klas Balkow  
*President and CEO*

Our audit opinion was submitted the date as evidenced by our digital signature

Deloitte AB

Hans Warén  
*Authorised 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 2021-01-01 - 2021-12-31. The annual accounts and consolidated accounts of the company are included on pages 35-80 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 31 December 2021 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 31 December 2021 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 utmost 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 accounting 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 MSEK 3 846 as of 31 December 2021. 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 2021.

For further information, please refer to note 1 regarding the group's accounting policies, note 2 regarding intangible assets, note 4 regarding acquired operations and note 17 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 for each cash-generating unit, and
- Audit of completeness and accuracy in relevant disclosures in the financial reports.

Fair value specialists have been involved in the audit procedures.

#### Other information than the annual accounts and consolidated accounts

The other information include the Remuneration report and pages 1-34 and 83-138 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.

#### 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 Director's 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.

## AUDITOR'S REPORT

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar). This description forms part of the auditor's report.

### 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 2021-01-01 – 2021-12-31 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 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.

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 responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description forms part of the auditor's report.

### The auditor's examination of the Esef report Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Axfood AB (publ) for the financial year 2021-01-01 – 2021-12-31.

Our examination and our opinion relate only to the statutory requirements. In our opinion, the Esef report #370af4746fcb9992eb5a32967e60610c046b8cc3e429ed69529b09b7317731ab has been prepared in a format that, in all material respects, enables uniform electronic reporting.

### Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Axfood AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also includes an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

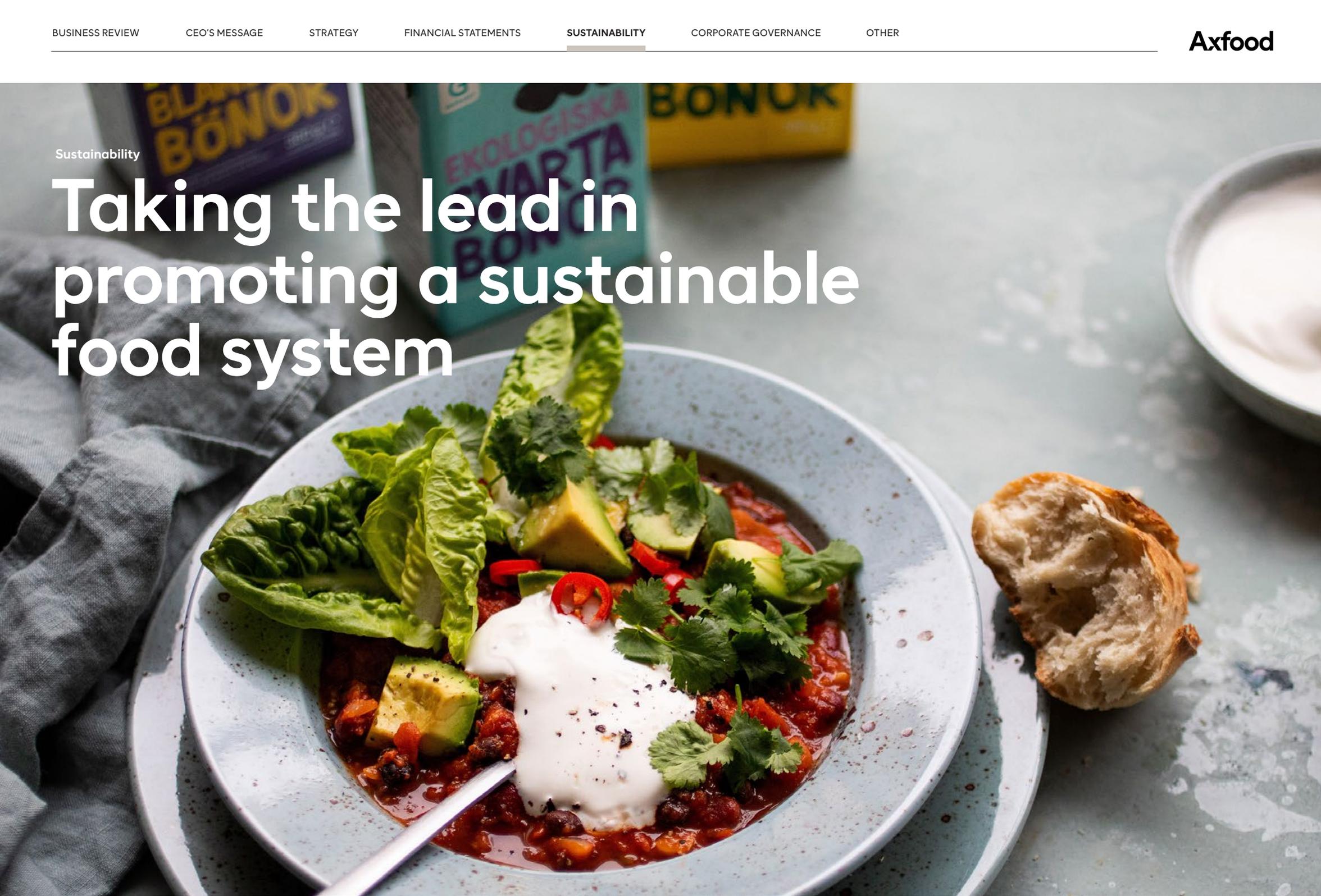
Deloitte AB, was appointed auditor of Axfood AB (publ) by the general meeting of the shareholders on the 2021-03-24 and has been the company's auditor since 2016-03-16.

Stockholm 24 February 2022  
Deloitte AB

**Hans Warén**  
Authorized Public Accountant

Sustainability

# Taking the lead in promoting a sustainable food system



## Sustainability in everything – food, the environment and people

Axfood's vision is to be the leader in affordable, good and sustainable food. By seeing the whole picture and striving for improvements that contribute to containing the environmental footprint from food within the framework of the planet's limits, the Group contributes to sustainable development that brings about economic, social and environmental benefits.

Focusing on the environment, social issues and animal welfare is critical to long-term stable financial performance, while also helping ensure the creation of economic value by strengthening our brands, attracting customers and making Axfood an attractive employer. Axfood's sustainability work is therefore comprehensive and an integral part of the business within three clear areas – food, the environment and people. The focus is on safeguarding the environment, the food that is produced and sold in stores, and the people who produce, sell or consume it. Sustainability efforts are pursued systematically and strategically, with key performance indicators and targets linked to Sweden's Environmental Objectives and the UN Sustainable Development Goals (SDGs). As a complement to its already published climate targets, Axfood began the process of setting a climate target to be approved by the Science Based Targets initiative (SBTi).

### About this sustainability report

Axfood's sustainability report on pages 83-117 summarises the Group's sustainability efforts and outcomes for 2021, and complies with the Swedish Annual Accounts Act's sustainability report requirement. The Group's sustainability efforts are presented in accordance with the Global Reporting Initiative (GRI) Guidelines and adhere to the GRI Standards: Core option. This means that at least one disclosure per area is reported on based on the material issues identified by Axfood and its stakeholders. Axfood reports comprehensive sustainability data on an annual basis, and the previous Annual and Sustainability Report was published on 26 February 2021. 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.

### Food

#### Focus areas

- Sustainable choices
- Food waste
- Good proteins

#### Highlights 2021

# 28%

Share of sustainability-labelled product sales

# 1%

Share of food waste in Axfood's stores

Read more on pages 89–91.

### The environment

#### Focus areas

- Smart use of resources
- Sustainable materials
- Green transports
- Sustainable farming

#### Highlights 2021

# -7%

Reduction of Scope 1 and Scope 2 greenhouse gas emissions

# 6%

Share of organic product sales

Read more on pages 92–99.

### People

#### Focus areas

- Sustainable suppliers
- Diversity enriches
- Healthy habits

#### Highlights 2021

# 93

Number of social audits in the supply chain

# 32%

Share of women in management positions

Read more on pages 100–107.

## SUSTAINABILITY IN EVERYTHING

**Integrated sustainability efforts**

The strategic direction of sustainability efforts is set by Axfood's Board of Directors. Ultimate responsibility for sustainability efforts rests with the President and CEO, who in consultation with the Executive Committee, the Risk Committee and the Head of Sustainability drafts strategies, policies and targets for sustainability as well as annual and quarterly sustainability reports, and follows up the sustainability efforts. The Executive Committee is updated about this work and current issues on a quarterly basis via a sustainability forum led by the Head of Sustainability, where the Executive Committee discusses and decides upon strategic sustainability issues.

Axfood's sustainability efforts are integrated into operational activities to create engagement within the entire organisation. Sustainability coordinators in the Group companies drive and continuously follow up Group-wide sustainability targets through action plans. 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. Information is continually provided on the Group's intranet in order to raise employee awareness about sustainability efforts. In addition, the Group holds seminars and training sessions such as mandatory training on food's environmental impact and Axfood's sustainability efforts.

Axfood's interim reports include strategic key ratios. Axfood's Annual Report includes a sustainability report prepared in accordance with the GRI Standards.

**Sustainability policy, targets and programme**

Axfood's sustainability policy describes the focus of and principles for sustainability efforts. The overall ambition of this policy is to take the lead in promoting a sustainable food system that takes a stance, inspires and offers guidance for good and sustainable food. Sustainability efforts are to be focused on preventive measures and should adhere to the precautionary principle to the greatest possible extent. Environmental efforts are focused on achieving a reduced carbon footprint and ensuring efficient use of resources with respect to products, recycling, transports, energy and use of premises. Environmental impact studies are performed prior to major structural changes in order to provide better information for decision-making. In stores and online, a wide assortment of sustainability-labelled products and clear and transparent consumer information are to be provided to make it easier for customers to make sustainable choices. In the social area, efforts include 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 "Protect, Respect and Remedy" framework along with the UN 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), ETI (Ethical Trading Initiative in Sweden) 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 policy and targets are reviewed by the Executive Committee on an annual basis. The targets are linked to Sweden's Environmental Objectives and the UN SDGs. They are part of the Group's comprehensive sustainability programme, an important tool that encompasses both the sustainability policy and long- and short-term sustainability targets. The sustainability reporting framework mainly emphasises the targets and indicators that pertain to the entire Group.

During 2021, work continued on complementing the governance documents that drive operational sustainability efforts, in order to eventually include them in the sustainability programme.

**Code of Conduct guides work**

Axfood's Code of Conduct is fundamental to its operations, and lays out requirements and expectations for employees, suppliers and sub-suppliers. The Code of Conduct is based on recognised conventions for human rights, working conditions and the environment. It lays out Axfood's positions and

requirements for legal compliance, conditions in the workplace, use of resources and impacts on local communities, the environment, animal welfare, ethical behaviour and anti-corruption, which helps drive sustainability issues forward in line with the Group's strategy and vision. The Code of Conduct is integrated with Amfori BSCI's code of conduct and is revised on a continuous basis or when new or amended international frameworks arise, for example. The most recent revision was made in 2021.

Axfood is to conduct its business in accordance with generally accepted business practices and high ethical standards in all relationships with stakeholders. The employees concerned – mainly buyers of private label products – receive training from sustainability officers in the Code of Conduct. All employees are informed about its most important parts through internal training. Suppliers are required to certify their adherence to Axfood's Code of Conduct in connection with purchasing or, alternatively, Axfood accepts the supplier's own code of conduct if it meets the same level. The Code of Conduct is available in Swedish and English on Axfood's website and can be provided to suppliers in around 20 other languages.

SUSTAINABILITY IN EVERYTHING

# Materiality analysis and stakeholder dialogue

## Axfood's methodology

An update of Axfood's materiality analysis from 2015 was completed in 2021. The purpose of the materiality analysis is to ensure that the right priorities are set for sustainability efforts based on current knowledge from the Group's own operations, the latest research and the Group's potential to exert an influence. These priorities are to be made in accordance with stakeholders' expectations and the Group's own judgement, through a method that can be divided into two parts: stakeholders' views and Axfood's impact. Stakeholders' views have been identified through a stakeholder dialogue based on multiple surveys; see the summary table on page 87. The objective is to balance and optimise multiple interests, expectations and wishes among the aspects identified. The other part of the analysis takes Axfood's actual impact into account. The current and potential impact of the Group's own operations have been evaluated for several important aspects. The analysis also includes the effect of outside factors on Axfood's ability to pursue its business by examining Axfood's ability to exert an influence and the financial impact of the various aspects based on risk and probability. Axfood's impact on its surroundings is based on current research into the climate-related challenges and conclusions generally associated with the food industry, which are weighed against Axfood's knowledge of its own operations and where exactly in the supply chain that impact occurs. By taking into consideration both the actual impact of the business and the potential to make a difference, Axfood ensures that it will set the right priorities in both the short and long term.

## Material issues

The issues deemed to be material pertain to the entire Group and are presented in the table. All aspects considered to have from high to very high impact are reported. A detailed materiality analysis has been performed since some issues are more controversial than others and their significance can vary significantly among different stakeholders. Many of the aspects are interconnected, since the Group's actions are usually designed to minimise its impact in multiple areas simultaneously. Axfood has come a long way in its work on some issues, which is why these issues are basic reporting areas instead. Other areas, such as the environmental impact in agriculture, are a major challenge for both Axfood and the industry as a whole, and the necessary data is lacking in some cases.

### Materiality analysis



The table above shows which aspects are considered most important by Axfood's stakeholders. Aspects associated with reduced carbon footprint are the most important. Above all, issues associated with food from sustainable agriculture, food waste and biodiversity rank high with all groups. Work environment and working conditions are a priority issue for both suppliers and Axfood employees. Sustainable fishing and good animal care are important issues to all stakeholders.

## Stakeholder dialogue

Stakeholders	Channels for dialogue	Important issues	Comparison with previous stakeholder dialogue
Customers	Customer meetings in stores, consumer contact, focus groups, customer and consumer surveys, customer magazines and newsletters, websites and social media. In 2020, Axfod performed a Sifo survey to identify the sustainability aspects considered most important by consumers.	Customers consider clear information about ingredients' country of origin and good animal care to be important. Aspects linked to reduced carbon footprint are important, such as sustainable agriculture, sustainable transports, reduced food waste and sustainable packaging. The work environment, anti-corruption and bribery are also important issues.	Information about ingredients' country of origin and reduced carbon footprint are aspects that customers consider more important than in the past.
Employees	Internal channels such as Axfod's intranet, employee meet-and-greets and conferences, and employee surveys.	Work environment and working conditions are the most important issues to employees, both internally and at suppliers. Additional issues that employees consider important are avoiding food waste, advocating good animal care, sustainable fishing and agriculture, and diversity and gender equality.	Organic food was previously an important issue to employees, but this aspect is no longer as important, while sustainable agriculture is deemed to be a material issue.
Suppliers	One-on-one supplier meetings, large supplier meet-and-greets, collaboration projects and social audits or training of suppliers' employees in risk countries.	The climate issue is the most important to Axfod's suppliers. Avoiding food waste, advocating efficient energy consumption and sustainable agriculture as well as efficient water use are considered important issues, as are work environment, working conditions and healthy food.	The issues that suppliers now consider to be more important are associated above all with reduced carbon footprint.
Investors	The Annual General Meeting, presentations about interim reports or year-end reports, capital markets days, seminars, conferences or one-on-one meetings.	The dialogue with investors shows that a reduction in carbon footprint is most important, since aspects such as reduced food waste, efficient energy consumption, sustainable agriculture and efficient water use are important issues. Work environment and working conditions, anti-corruption and bribery, and healthy food are other important issues.	Investors consider reduced carbon footprint to be a more important issue than in the past.
Society	One-on-one meetings with decision-makers, presentations in connection with seminars, conferences and membership in trade organisations and other types of networks.	The societal issues of greatest interest are associated with reduced carbon footprint, with biodiversity and sustainable agriculture being the most important. Sustainable fishing, good animal care, sustainable materials and clear information about ingredients' country of origin are also important aspects, as are work environment and working conditions.	Healthy food continues to be of significant interest to consumer organisations, while it is more considered a hygiene factor by many societal stakeholders.

## SUSTAINABILITY IN EVERYTHING

**A positive force in society**

The food industry is facing major sustainability challenges, and Axfood wants to be a force for positive change that takes the lead in promoting a sustainable food system by influencing decision-makers, leading the way through its own initiatives and driving industry issues. Axfood's organisation and the diversity of its Group companies enables own initiatives that also result in important changes beyond its operations. Initiatives where Axfood went first and others followed include deposits for plastic fruit drink and juice bottles, no longer selling red-listed fish and shellfish and country of origin labelling for meat. Over the years, Axfood has driven important societal issues such as reducing the use of antibiotics in animal husbandry, abolishing tax on solar electricity for private use and stopping the use of oil palm derivatives in biofuel.

Many issues require cooperation with other parties in order to achieve sustainable solutions that contribute to change over time. Axfood works with various industry organisations and networks in order to achieve more extensive changes. Issues concerning food consumption or production rank high on the agenda. Axfood often acts together with its industry colleagues in the Swedish Food Retailers Federation. Producers and suppliers are also important partners for cooperation. Axfood takes an active role in the Sustainable Food Supply Chain initiative which is coordinated by the WWF, Organic Sweden, that promotes the consumption and export of organic products, and Sweden Food Arena, a venue for cooperation to promote an innovative, sustainable and competitive food retail sector. Axfood is a co-founder of "Matmissionen" (the Food Mission) along with Stockholms Stadsmission. Matmissionen is a group of subsidised grocery stores that enable financially disadvantaged people to shop at reduced prices while reducing food waste. There are plans to scale up this initiative through the Swedish Food Retailers Federation joining as a partner. When it comes to reducing climate impact, the Haga Initiative business network, an organisation that Axfood also initiated, is an important arena for driving change. Axfood also cooperates with its customers. For example, in addition to contributing to more sustainable consumption by choosing good and sustainable products when shopping, Willys and Hemköp customers can donate their bottle deposit money to Save the Children or SOS Children's Villages through the stores' bottle deposit machines.

Axfood also engages in dialogue with politicians and authorities in order to increase their knowledge about the food retail industry and drive various sustainability issues. Each year, Axfood publishes the Mat 2030 report, the Group's proposal for a sustainable food strategy for Sweden.

**Food 2030**

The report Mat 2030, Axfood's proposal for a sustainable food strategy for Sweden, was published in 2016 as a contribution to the food strategy that the Swedish government was developing at the time. The report addresses issues such as supporting the countryside, developing added value for Swedish food, and stipulating requirements for decisions that promote more sustainable development. The sixth edition of the report, containing a total of 100 proposals for politicians, authorities and industry, was published in 2021. The proposals range from reducing food waste and expanding grazing rights to investing in processing and innovation, and the report also addresses the need of a fourth action plan for the food strategy. The report is available on Axfood's website.



## FOOD

## Food

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 to change production methods and consumption habits. Axfood's food-related sustainability efforts are reported under the focus areas sustainable choices, food waste and good proteins.

### Sustainable choices

Sustainability labelling helps consumers make sustainable and healthy choices. By offering a varied assortment that includes information on the source and ingredients of products, consumers can choose products that are made in a way that takes both environmental and social aspects into account.

### Quality and sustainability strategy

Axfood's work with quality ensures that its assortment complies with the EU's statutory requirements, Axfood's policies and guidelines, the store chains' assortment strategies, and labelling and certification of products. In addition to fulfilling statutory requirements, Axfood also employs product and sustainability labelling of its private label products to offer the best alternatives in various categories and price groups.

Axfood's quality and sustainability strategy contains legal requirements as well as numerous specific requirements in the areas of food safety, animal welfare, sustainability, product safety, the environment and health that every supplier must fulfil. The strategy serves as one of the most important internal governance documents for Axfood when procuring and assessing products and suppliers. The quality and sustainability strategy is updated continuously by the people responsible for quality assurance at Dagab, and updates are approved by Axfood's Executive Committee. Individual proposals to depart from the strategy must be approved in accordance with an established procedure. Axfood's work on the assortment offered in its stores also reflects the requirements set forth in the quality and sustainability strategy. The buyers are responsible for ensuring that the product database is updated if a label is added or removed.

The target is for the share of sustainability-labelled products of Axfood Group store sales to amount to 30% by 2025 the latest. Consumers are to be guided toward more conscious and safer choices while the assortment is to be developed and become more sustainable. Organic products contribute to reduced use of chemicals and synthetic fertilisers while prioritising the well-being of animals and promoting biodiversity. Fairtrade certified products are sold as part of the Group's efforts to contribute to better social conditions and terms for the people who work in production. Sales of sustainability-labelled products are reported externally on a quarterly and annual basis. Consolidation and follow-up of results are conducted centrally, but outcomes

### Examples of sustainability targets

- The share of sustainability-labelled products is to amount to 30% of store sales by 2025 the latest
- 50% reduction in food waste for own operations by 2025 the latest (base year: 2015)

### Key ratios 2021

# 28%

Share of sustainability-labelled product sales

# 3%

Share of KRAV-certified meat sales

# 86%

Share of sustainability-labelled fish in private label products

# 1%

Share of food waste in Axfood's stores



## FOOD

are verified with the respective store chains to ensure completeness and detect any incorrect labelling. Follow-up is carried out at the store chain and assortment category levels to take into account the varying conditions at the Group companies. By measuring the share of sustainability-labelled products in relation to store sales, the effect of the assortment's gradual contribution to more sustainable consumption can be seen.

**Food waste**

Food waste occurs throughout the entire food supply chain. It is a waste of resources when food that is grown, processed, transported and packaged is thrown away. Axfood's target is a 50% reduction in food waste for own operations by 2025 the latest compared with the 2015 base year. Results are reported annually as a share of total sales. Measures to reduce food waste vary from company to company within the Group. Dagab strives to optimise orders, while the stores reduce prices for products that are nearing their best-before dates or are believed to be hard to sell at regular prices for other reasons. Placing accurate orders and clearance sales of above all fruits and vegetables in the stores are the most effective measures for reducing food waste. Store employees report food waste on a daily basis through an internal database using hand-held computers. Consolidation and follow-up at the Group level are conducted centrally. Various codes are used to provide information on why the food waste occurred, facilitating the prevention of future waste. Axfood also works with other players in the food industry to reduce food waste.

Axfood is a co-founder of "Matmissionen" (the Food Mission), subsidised grocery stores that sell food that would otherwise be discarded. Moreover, more than 100 of the Group's stores collaborate with various social organisations to donate food that they have not been able to sell. During the year, Willys founded Skåne's first Matmissionen. Through the Swedish Food Retailers Federation, Axfood and other food retail companies and suppliers are expanding their operations and opening three more subsidised grocery stores in Stockholm in 2022. The new partnership is expected to reduce annual food waste by up to 3,000 tonnes.

**Good proteins**

Proteins are vital nutrients that have a large impact on the climate and the environment. By offering sustainably produced plant-based products that are good both for health and the climate, Axfood can contribute to more sustainable protein consumption. All fish and shellfish sold is to come from sustainable stocks, and meat is to have essential animal protection certifications. The greatest challenge is to encourage Swedish meat producers to certify its meat with the "Grund Nöt" standard. Axfood sets basic requirements already in connection with the procurement process with respect to clear labelling of the country of origin and product traceability.

**Meat and poultry**

Axfood's quality and sustainability strategy lays out clear guidelines for suppliers of private label products regarding good animal care and the use of antibiotics in meat, dairy production as well as aquaculture. The animal care

requirements are based on Swedish animal protection legislation and are quality assured and audited through product labelling as well as third-party certification of primary producers of all types of animals. With the exception of KRAV-labelled meat, Swedish meat lacks animal protection certification and Axfood therefore advocates towards producers to certify meat with the Grund Nöt standard. Follow-up of compliance with the quality and sustainability strategy is conducted through inspections to see how animals are raised and how they are handled during slaughter. Audits are conducted either by the Group's own quality specialists or by independent accredited companies.

Axfood cooperates with other members of the Swedish Food Retailers Federation to reduce the use of antibiotics in animal husbandry in order to help improve animal care and reduce the risk of antibiotic resistance.

During the year, Snabbgross was the first restaurant wholesaler to stop selling eggs from caged hens. Now eggs in the assortment are exclusively from free-range hens. All of Axfood's store chains have already stopped selling eggs from caged hens. Comprehensive work with the private label brands is ongoing to phase out eggs from caged hens as ingredients in their products.

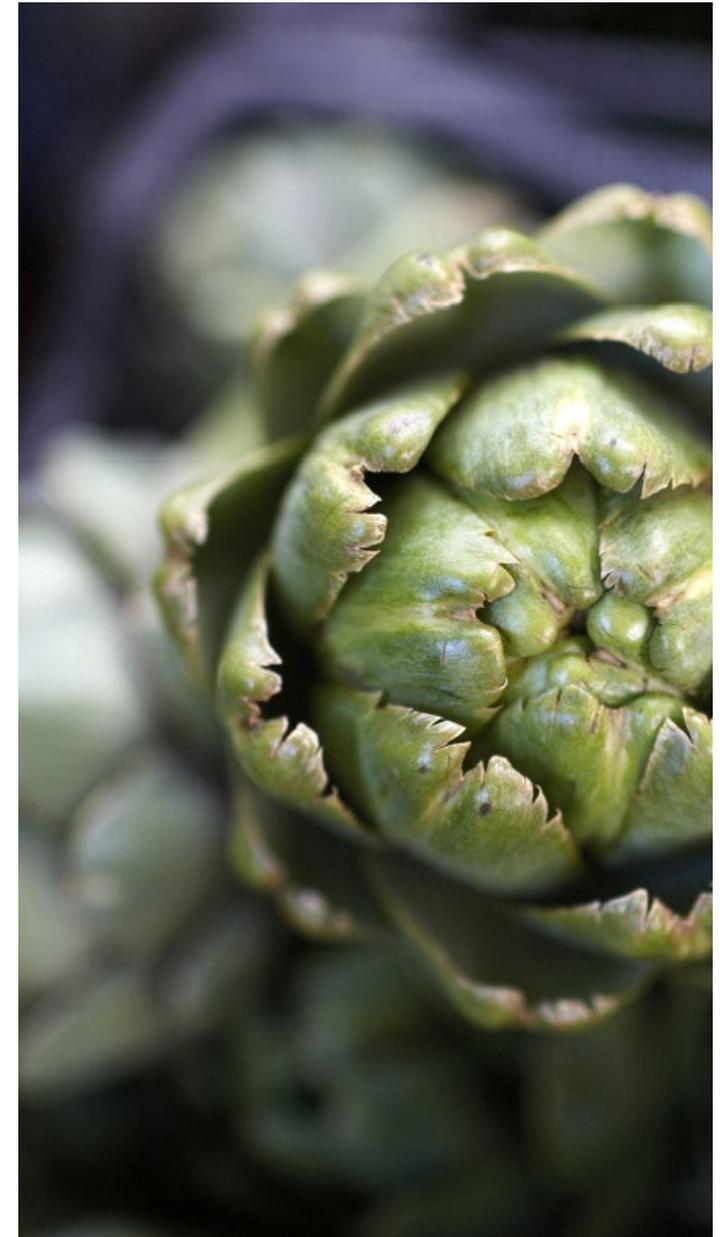
**Fish and shellfish**

Axfood is to advocate for sustainable fishing that helps counter emissions, destruction of ecosystems and acidification of fishing waters. According to Axfood's seafood policy, fish and shellfish from threatened stocks are not to be sold in the Group's stores. Axfood works closely with its suppliers to ensure compliance. Fish must be traceable to its stock, fishing zone/farm and fishing method. According to the seafood policy, Axfood's assortment may not include fish that is red-listed according to the WWF's fish guide or not classified as sufficiently sustainable based on the definition of sustainable stocks and approved fishing methods. The policy is published on the Axfood website.

The goal of Axfood's sustainability programme is for all fish and shellfish sold in the Group's stores to be classified as green by 2025 at the latest. It requires a steadily greater share of the assortment to be transitioned to ASC-, MSC- or KRAV-certified fish, while continuing to offer customers a wide selection of affordable seafood. This is a challenging goal, since according to the WWF most fishing waters are fully utilised or overfished. Further challenges are that the goal also applies to items containing extremely small quantities of fish or shellfish as well as its application to private label products as well as suppliers' brands.

**Green proteins**

Axfood shall reduce the assortment's carbon footprint by offering products that encourage and contribute to more sustainable protein consumption, such as a wide selection of sustainable plant-based products. To achieve a transition to more plant-based proteins, new products are continually being developed that taste good and are affordable and sustainably produced. There has been a shift in consumption in recent years, with more Swedes choosing to eat plant-based proteins.



## FOOD

### Share of sustainability-labelled products

Axfod's target is for the share of sustainability-labelled products to amount to 30% of store sales by 2025 the latest.

%	2021	2020	2019
	28.1	28.3	26.9

Sustainability-labelled products as a share of total sales amounted to 28.1% (28.3%), a slight decline compared to the prior year. A negative effect from a changed category mix was only partially offset by higher sales of sustainability-labelled products. 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 highest share of sustainability-labelled products in the Group, while Snabbgross showed a positive trend. Within the assortment, fish, bread and groceries had the strongest performance, while frozen goods and confectionery trended in the opposite direction.

### Share of food waste

Axfod's target is a 50% reduction in food waste for own operations by 2025 compared with the 2015 base year.

%	2021	2020	2019
	1.19	1.26	1.47

Food waste continued to decrease and amounted to 1.19% (1.26%) of net sales in 2021 despite the challenges entailed by the Covid-19 pandemic. If the current rate of reduction is sustained, the target to cut food waste in half by 2025 can be reached. 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. In a partnership with Garant, Willys launched "Skeva Skivor": uneven edges of boiled ham that would have otherwise been discarded. A campaign by Willys encouraged customers to use leftovers to make recipes based on ingredients that are often discarded.

### Share of KRAV-certified meat

The share of sales of KRAV-labelled meat within Hemköp is to amount to 10% by 2025. For other companies, the share of sales of KRAV-labelled meat is also to increase.

%	2021	2020	2019
	2.9	3.1	3.4

Sales of KRAV-certified meat as a share of total meat sales decreased slightly during the year to 2.9% (3.1%), 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 of KRAV-certified meat.

### Share of sales of fresh and frozen private label seafood products with valid certification<sup>1)</sup>

The goal of Axfod's sustainability programme is for all fish and shellfish sold in the Group's stores to be classified as green by 2025 at the latest.

%	2021	2020	2019
	67.7	62.5	59.6

Of the existing offering, 86.1% (81.1%) 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 the year, 67.7% (62.5%) of the fish sold in Axfod's stores was certified. Sales are being boosted by a deliberate approach to sales and the assortment. Garant launched a new innovative fish burger consisting of MSC-certified Norwegian cod and algae. Axfod participated in a project that developed Sweden's first green, circular rainbow salmon mainly fed on a feed of insects, which themselves have been fed on food waste. Stakeholders from all parts of the food supply chain were part of the project. The green rainbow salmon was served at Urban Deli and sold at select Hemköp stores. During the year, Urban Deli also became the first restaurant to serve sustainable bream mince from fish captured in Lake Mälaren and Lake Vänern. A new cleaning method enabled the fish to be used instead of being thrown back in the water, which was done previously.

1) Valid certification in accordance with MSC, ASC or KRAV.

### Growth in plant-based protein substitutes

Axfod has no target established for protein substitutes but is rapidly developing its plant-based assortment.

%	2021	2020	2019
	-1.6	15.1	13.4

The trend in recent years means that Swedish consumers are increasingly choosing to eat more plant-based proteins. This is confirmed both by Axfod's yearly "Vegobarometer" consumer survey and continued high sales growth of refrigerated and frozen plant-based products. However, sales growth declined -1.6% (15.1) during the year, mainly owing to high comparison figures. Snabbgross countered this trend and saw an increased share of sales. The private label product assortment was expanded during the year to include a number of new items such as cold slices and schnitzel from Eldorado and pea falafel, sausages, burgers and kebabs from Garant. A new vegan product was introduced made from cashew fruit, a residual product that otherwise goes to waste, through a partnership with Cashewmeetly. Special promotional campaigns for plant-based products were carried out both in stores and online.

## The environment

Production of food contributes to water stress, land exploitation and emissions, and is a threat to biodiversity. Axfood aspires to take the lead in encouraging a more sustainable food system, in which production methods and consumption patterns have the smallest ecological footprint possible within the limits of what the planet can sustain. Reporting on Axfood's environmental programme focuses on greenhouse gas emissions, sustainable materials and sustainable farming.

### Carbon footprint

The risk scenario in the environmental area is multifaceted. A climate characterised by more extreme weather poses major challenges to primary production as well as the food industry and the retail trade. Shortages of certain primary ingredients can make product supply more difficult, leading to higher prices. Climate policy measures require companies to adapt their operations to help slow the rise in global temperature. Axfood addresses these risks by making changes in its own operations, through measures such as converting to fossil-free transports, using refrigerants without a climate impact, making strategic choices in new establishments and diversifying risk in purchasing both with respect to suppliers and geographically. Efficient use of resources is also necessary when it comes to energy use and water and transitioning to recyclable materials.

### Reduced carbon footprint

Axfood's climate target is to have net zero emissions from own operations by 2030 at the latest. This target helps to limit the emissions of greenhouse gases, to meet both national environmental goals and the Paris Agreement. All of the Group's carbon emissions are offset by measures to capture or counteract equivalent quantities of greenhouse gas emissions, bringing the Group's total carbon footprint to zero. As a complement to its already published climate targets, Axfood began the process of setting a climate target that is to be approved by the Science Based Targets initiative (SBTi).

Axfood works continuously to improve the quality of the sustainability data that is available by making it more complete and by including more sources and units. The Group's carbon footprint is reported yearly in accordance with the Greenhouse Gas (GHG) Protocol guidelines.

### Examples of targets

- Net zero greenhouse gas emissions from own by operations by 2030 the latest
- Reduce emissions from Group-owned trucks by 30% by 2025 (base year: 2020)

### Key ratios 2021

-7%

Reduction of Scope 1 and Scope 2 greenhouse gas emissions

100%

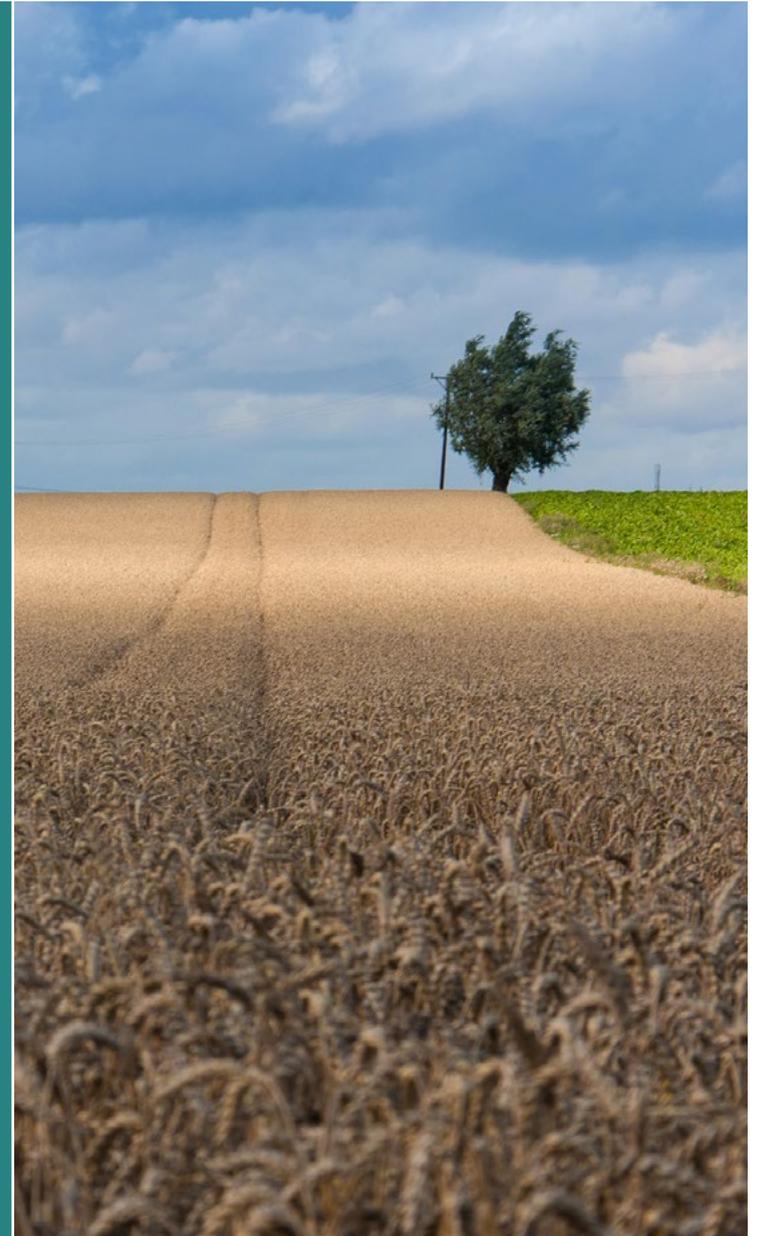
Share of Group-owned trucks that can be driven on fossil-free fuels

290

Electricity consumption kWh/sq. m. (stores and warehouses)

6%

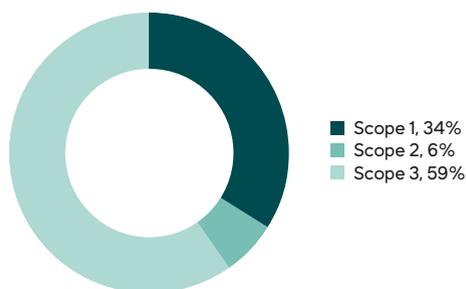
Share of organic product sales



## THE ENVIRONMENT

The greatest sources of emissions from Axford's own operations are leaks of refrigerants from refrigerators and freezers in stores, and transports between warehouses and stores. Reporting therefore mainly focuses on Scope 1 and 2 emissions (direct and indirect sources of GHG emissions), where there is the greatest opportunity to make an impact. Scope 1 emissions pertain to the Group's direct carbon footprint, while Scope 2 emissions pertain to emissions from purchased energy, where Axford 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 reduce energy consumption. Scope 3 emissions pertain to the Group's indirect emissions and include emissions from activities outside its own operations. For 2021, emissions include emissions from business travel, procured transports between warehouses and stores, and waste. Axford is formulating a method to improve its estimation of Scope 3 emissions, enabling it to include additional emissions from farming and production, consumption of foods, and transports between producers and warehouses. Scope 3 is very challenging for the food retail industry, since the majority of emissions arise in agriculture and are therefore difficult to affect or measure since they are largely the result of biological processes. The food comes from numerous different farms as well, posing an additional challenge.

## Breakdown of emissions (Scope 1, 2, 3)



## Greenhouse gas emissions

## GRI 305-1, 305-2, 305-3 Direct, indirect and other indirect GHG emissions (Scope 1, 2, 3)

CO <sub>2</sub> e tonnes	2021	2020	2019
<b>Total emissions</b>	<b>41,336</b>	<b>39,754</b>	<b>37,301</b>
<b>Direct GHG emissions (Scope 1)</b>	<b>14,126</b>	<b>15,568</b>	<b>16,721</b>
Own transports	10,928	11,992	11,116
Refrigerants	2,979	3,331	5,263
Of which, refrigeration units, Group-owned trucks	849	977	1,312
Of which, wholesale (warehouses)	50	62	8
Of which, retail	2,080	2,292	3,943
Company cars	219	246	342
<b>Indirect GHG emissions – market-based (Scope 2)</b>	<b>2,677</b>	<b>2,483</b>	<b>1,817</b>
Purchased electricity	2,520	2,335	1,602
Purchased heat	157	147	215
<b>Indirect GHG emissions – location-based (Scope 2)</b>	<b>20,563</b>	<b>16,087</b>	<b>17,021</b>
Purchased electricity	20,407	15,940	16,806
Purchased heat	157	147	215
<b>Other indirect GHG emissions (Scope 3)</b>	<b>24,532</b>	<b>21,702</b>	<b>18,763</b>
Waste	477	473	452
Of which, waste to recycling	338	338	317
Of which, for incineration	108	105	107
Of which, hazardous waste	32	24	18
Procured transports	21,007	18,299	15,194
Business travel	125	236	730
Emissions associated with fuel production, purchased electricity (market-based)	2,895	2,671	2,357
Emissions associated with fuel production, purchased heat	29	24	30

The total carbon footprint in 2021 corresponds to 41,336 tonnes (39,754) of CO<sub>2</sub> equivalents. Scope 1 emissions continued to decrease, mainly owing to the continued work on replacing refrigeration and freezer units that have unavoidable leakages. At the same time, emissions from business travel continued to decrease significantly due to reduced business travel and a gradual transition to more digital ways of working during the Covid-19 pandemic. Emissions from own transports decreased thanks to a significantly higher share of renewable fuel than previously. Scope 2 emissions increased and are associated with purchased electricity from the smaller warehouses that are not covered by Axford's central contract for fossil-free electricity. All other units use green electricity. The effects of not choosing green electricity are shown clearly in a comparison of market-based and location-based emissions. If green electricity is not requested, the electricity that is delivered is significantly worse for the climate than the Nordic mix, i.e. the residual that is left when the electricity with the smallest climate impact has been delivered to those who have requested green electricity. Scope 3 emissions increased, mainly from procured transports owing to more kilometres driven using fossil fuels. In conjunction with the Annual and Sustainability Report, Axford and other companies in the Haga Initiative prepare a joint emissions disclosure that presents the companies' climate impact and measures to reach the net zero emissions goal by 2030. The goal is to engage companies from different industries and demonstrate the connection between ambitious climate strategies and increased profitability through a joint, transparent climate disclosure.



## THE ENVIRONMENT



## 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. To contribute to a reduced carbon footprint, Axfood's operations are to exclusively use green electricity. To promote the efficient use of resources, electricity for the Group is to be produced by solar panels on rooftops of stores and warehouses, and surplus heat is to be captured to an even greater extent. Axfood signed an agreement during the year to build Sweden's largest solar farm, which will comprise about 60,000 solar panels. The installed capacity will be equivalent to about 40 MW, and will cover about 15% of the Group's annual electricity consumption. This investment means that Axfood is helping to increase the amount of renewable electricity in the electricity system.

Refrigerants that are used are to meet the requirements stipulated in the European F-gas Regulation (EU/517/2014). In the case of refurbishments and new establishments, refrigeration systems are to be replaced by systems using natural refrigerants (CO<sub>2</sub> or propane). Within Willys, all 219 stores use approved refrigerants, of which 60 has been converted. A total of 30 stores were converted in 2021. 37 of the 63 Group-owned Hemköp stores is converted, however none of the franchise stores. 15 of Snabbgross' stores are converted to CO<sub>2</sub> systems. In total, 21 of Snabbgross' 27 stores use refrigerants that are approved by the F-gas Regulation.

Follow-up of energy use provides good documentation to further optimise as well as prevent and manage deviations. Since Axfood's operations require substantial electricity for refrigeration, lighting and ventilation, the choice of purchased electricity and the efficient use of energy are important. Fuels, district cooling and district heating are also used to some extent in the warehouse operations. Many stores have heat recovery systems, reducing

the need to purchase energy for heating. The Group also has stores that sell surplus heat to the district heating network, and Dagab's warehouse in Jordbro does so as well.

Axfood has central power purchase agreements that cover most of its units. Facility management staff have operational responsibility for following up and optimising the Group's warehouse operations. Energy managers for each chain are involved in management and operations, and they are responsible for monitoring 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 connected 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. Consolidation of total fuel consumption is conducted centrally.

To follow up the results of various energy efficiency initiatives, both energy consumption and energy intensity are measured by calculating consumption against consolidated net sales and total area for stores and warehouses. This facilitates follow-up and identifies whether a store or warehouse needs to be reviewed with respect to operation or investing in improvements.

Energy intensity is communicated externally both quarterly and yearly, while total energy consumption is reported on a yearly basis. Outcomes of specific energy efficiency measures are followed up by an internal working group. Results are followed up on a quarterly basis by the Executive Committee. Axfood devotes the most attention to Group-owned stores since this is where it has the greatest opportunity to optimise energy consumption.

## Energy intensity

## GRI 302-3 Energy intensity

MWh	2021	2020	2019
Total energy consumption kWh/net sales KSEK, %	0.45	0.49	0.53
Purchased electricity kWh/sq. m. (Group)	289.7	297.2	313.1
Purchased electricity kWh/sq. m. stores (total area)	308.3	318.0	331.2
Purchased electricity kWh/sq. m. wholesale	202.7	202.2	201.7

Energy intensity measured in relation to the Group's sales decreased 0.04 percentage points in 2021. Energy intensity also decreased in terms of square metres. The decrease was primarily attributable to the Group's stores in the form of investments in up-to-date premises, the installation of new freezer lids and doors, and a transition to LED lighting. The somewhat higher energy consumption in the wholesale operations pertains mainly to declining investments in warehouses that will be shut down when the new logistics centre in Bålsta, outside Stockholm, goes into operation in 2023.

## Energy consumption

## GRI 302-1 Energy consumption within the organisation

MWh	2021	2020	2019
<b>Total energy consumption within the organisation</b>	<b>347,674</b>	<b>341,955</b>	<b>339,804</b>
<b>Fuel consumption</b>	<b>60,885</b>	<b>58,041</b>	<b>49,611</b>
Renewable fuel	35,205	28,016	20,381
Non-renewable fuel	25,680	30,025	29,230
<b>Purchased electricity</b>	<b>272,815</b>	<b>275,095</b>	<b>281,068</b>
Retail, including head offices	230,773	233,642	238,644
Wholesale	42,042	41,453	42,424
<b>Purchased heat</b>	<b>8,310</b>	<b>3,973</b>	<b>4,877</b>
Retail	3,610 <sup>1)</sup>	419 <sup>2)</sup>	496 <sup>2)</sup>
Wholesale	4,700	3,553	4,381
<b>Self-generated energy</b>	<b>11,183</b>	<b>10,362</b>	<b>8,876</b>
Heat from refrigeration systems	9,609	9,477	8,781
Electricity from solar panels	1,574	885	95
<b>Sold energy</b>	<b>5,519</b>	<b>5,516</b>	<b>4,629</b>
Heat	5,519	5,516	4,629

1)Pertains to purchased supplemental heat from Willys and Snabbgross.

2)Pertains to purchased supplemental heat from Snabbgross.

Total energy consumption amounted to 347,674 MWh (341,955) in 2021. The increase is primarily the effect of including purchased supplemental heat from Willys. 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 seven new solar panel systems on store rooftops were put in operation. In total, 15 such systems were in operation for most of the year. The amount of purchased electricity decreased as a result of continued efforts to improve the energy efficiency of our stores. As in the preceding year, more than half of the self-produced heat could be sold onward.

THE ENVIRONMENT



Swedish Fuel Act. Data for Group-owned trucks is received monthly directly from the fuel suppliers. Data for procured transports is provided quarterly via SÅ Klimat Calc, the Swedish Association of Road Transport Companies' software tool for reporting environmental and climate impact. In addition to replacing trucks in the Group's own fleet with more sustainable vehicles, fuel consumption is monitored to optimise loads and trips when distributing goods from warehouses to stores. With the help of a transport optimisation system, loads can efficiently be planned and routes are optimised. All trucks are equipped with a monitoring system that allows Axfood to actively employ eco-driving to reduce its carbon footprint through more efficient 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 indicates how planning and optimisation of trips can impact emissions. The Group externally communicates kg 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.

**Emissions per tonne of transported goods**

CO <sub>2</sub> e kg	2021	2020	2019
Own distribution	16.8	15.6	17.2

**Green transports**

Transports between warehouses and stores account for the greatest share of the carbon footprint from Axfood's own operations. Therefore, Axfood is engaged in a comprehensive process to minimise emissions and environmental impact from its logistics operations. Choosing sustainable fuels means constantly taking changing conditions into account. Axfood has therefore chosen to diversify the vehicle fleet and uses multiple types of trucks as well as fuels, electricity included. This enables Axfood to contribute to the development of new types of vehicles, the production of sustainable fuels and infrastructure. All of the Group-owned heavy-duty trucks can be driven on alternatives to fossil fuels. At year-end 2021, Axfood owned 155 (150) heavy-duty trucks and 107 (101) light-duty trucks. 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 minimised by optimising the Group's own fleet. Close collaboration with truck manufacturers and fuel retailers is helping to improve the efficiency of sub-contracted transports as well. Axfood contributes indirectly to reducing the impact of procured transports through knowledge-sharing and by setting demands in procurement processes.

Dagab is responsible for both the Group's own and procured transports between warehouses and stores. Reporting is carried out in accordance with the so-called reduction obligation, the Swedish Sustainability Act and the

During 2021, more than half of all deliveries between Axfood's warehouses and stores were conducted using the Group's own trucks. Increased sales required more goods transports, which generated higher emissions. However, the share of fossil fuel in the fuel mix decreased and diesel use fell to 55% (74%) in favour of more RME (B100) and biogas. The total CO<sub>2</sub> effect per tonne of delivered goods for the Group's own transports was 16.8 CO<sub>2</sub>e (15.6). This increase is primarily due to the addition of Cold Cargo's transports and the inability to restate comparison figures due to a lack of data. The division between own and procured transports has also been adjusted so that a larger portion of the total volume of transported goods is categorised as "own." If Cold Cargo's transports are excluded from the outcome, the CO<sub>2</sub> effect per tonne of delivered goods for the Group's own transports is 15.7 (15.6). During the year, the Group's first fully electric truck from Scania began making deliveries to stores in Stockholm, and a brand new plug-in hybrid truck was also delivered. Charging with green electricity results in a significant reduction in carbon emissions - by an estimated amount of 40 tonnes per year for a fully electric truck compared with a diesel-powered truck. 20 heavy-duty, fossil-free trucks were ordered during the year but did not arrive due to the semiconductor shortage. This would have also helped to reduce emissions. The number of e-commerce deliveries continued to increase but still represents a small share of transports and is not included in the reported figures.



## THE ENVIRONMENT



## Sustainable materials

Being better at using the resources that are already in circulation is an important part of Axfood's sustainability efforts. Axfood is working to increase efficiency in its use of resources, recyclability, and the use of renewable materials. Developing climate-smart packaging for the Group's private label products in order to minimise environmental impact and avoid food waste is considered extremely important. The objective is to reduce the use of plastics and prioritise renewable and recycled material without hazardous chemical compounds.

## Packaging

Axfood employs various measures to ensure that its assortment of private label products are packaged as sustainably as possible. 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, in stores and for consumers. The amount of packaging material is minimised as far as possible without risking the quality of the contents or reducing the material's recyclability.

Plastic is a common material used in food retail since it has good properties that 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 undertaken to increase its purchases of recycled material, the share of products designed for material recycling, and shape public opinion and conduct advocacy work to drive a transition to circular material flows through regulations and incentives.

Axfood has adopted a plastics strategy to create the cleanest plastic flows possible in the long term by using the right plastic in the right place and enabling material recycling. The strategy encompasses 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) for sustainable forestry; and elimination of hazardous compounds (SIN – Substitute It Now). An action plan has been formulated in

association with the plastics strategy 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. The plan defines the targets, key ratios, scope and boundaries of the plastics strategy. It identifies where impacts arise and if the Group's work encompasses the product's primary, secondary or tertiary packaging. In addition, 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 made to achieve the targets. This comprehensive data collection is planned to be completed in 2022. Thereafter, the outcome will be followed up and reported in relation to the targets.

Axfood is pursuing the duty to inform as part of its social impact efforts, and has also raised the issue of chemicals in packaging within the industry. Eliminating the use of SIN-listed compounds is very challenging. Many suppliers have insufficient knowledge about added chemicals in packaging as well as which process chemicals are used. For this reason, legislative support through a duty to inform about which chemicals are included in packaging or a product would facilitate setting requirements above and beyond the legal requirement. In 2021, the Swedish Food Retailers Federation decided to adopt the SIN-list as a basic tool in efforts with packaging.

A few years ago, Axfood was the first food retailer in Sweden to introduce deposits for fruit drink and juice bottles in an effort to achieve greater circularity and thus a lower carbon footprint. The initiative has made a big impact in the industry and has opened up for bottle deposits for similar products on the market. During the year, several Garant-brand juice and smoothie bottles were incorporated into the national deposit system, increasing the circularity of plastic bottles. During the year, Axfood reduced the use of plastics in several of its private label products, including the bags for Garant's fresh and chopped salads, which were replaced by thinner plastic bags, and Garant's largest meat trays.

## Waste

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 increase the share that is sent to recycling. Recycling and waste handling procedures are based on Swedish law and employed at all stores and warehouses. The strict requirements for sorting into various fractions pertain mainly to the stores where Axfood is responsible according to property leases. The work requires in-depth understanding of the leases for individual stores. Thus, conditions for waste sorting are different at every store. Additional factors that make a difference include the distance of each store from biogas stations, and varying ability to dispose of packaging material.

Axfood has its own system support for waste handling, but complementary reports are also provided by all waste handling contractors. Axfood's

Indirect Services department is responsible for relationships with the Group's 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. Awareness and engagement with the issue are encouraged through training in sorting and regular follow-up of the share of waste sent off for incineration. The Group reports externally on the number of tonnes of waste and the share that is sent to recycling according to the disposal method.

## Incinerated waste

	2021	2020	2019
Incinerated waste, tonnes	12,931	12,566	12,826
Incinerated waste as a share of net sales, %	22.3	23.4	25.3

## Weight of waste

## GRI 306-3 Waste by type and disposal method

Tonnes	2021	2020	2019
Glass, coloured	92	96	39
Glass, clear	74	75	131
Hard plastic	228	227	210
Office paper and newspapers	852	670	547
Shrink and stretch wrap	1,477	1,447	1,367
Metal	177	161	211
Organic waste <sup>1)</sup>	8,367	8,923	8,740
Wood	233	295	348
Corrugated board	29,060	28,696	26,435
<b>Waste for recycling</b>	<b>40,561</b>	<b>40,588</b>	<b>38,027</b>
Incinerated waste	12,931	12,566	12,826
Landfill	1	12	20
Hazardous waste	84	63	48
Other waste	4	6	3
<b>Total</b>	<b>53,581</b>	<b>53,235</b>	<b>50,923</b>
<b>Recycling rate, %</b>	<b>75.7</b>	<b>76.2</b>	<b>74.7</b>

1) A portion of organic waste is incinerated in cases where biogas production is not an option.

The total amount of waste increased in 2021 owing to Axfood's growth. The recycling rate fell to 75.7% (76.2%), partly due to limited opportunities for several new stores to sort their waste into fractions but also due to the continuing effects connected to the Covid-19 pandemic. Corrugated board,

## THE ENVIRONMENT

waste for incineration, organic waste, and shrink and stretch wrap were the waste fractions that generated the largest volumes. A reason for the reduction in the amount of organic waste was the successful food waste programme.

During the year, Axfood also continued to work with waste handling collectors to better adapt containers and collections to the current need and thereby reduce unnecessary transports and increase the share of organic material that is converted to biogas.

### Sustainable farming

The largest share of the food retail sector's environmental impact comes from primary production through factors including carbon footprint, biodiversity, use of pesticides and eutrophication. Axfood's environmental responsibility thus extends to the farming sector as well as sustainability labelling. The strategy involves improving the offering of truly good products while imposing stricter requirements for the broad assortment.

### Organic

In recent years, the trend for organic goods has been in decline across the entire industry, and the share of sales for Axfood fell to 5.8% (6.1) in 2021. Snabbgross recovered a portion of sales of organic goods that was lost during the Covid-19 pandemic. Fruits and vegetables accounted for the largest growth, while dairy and groceries decreased the most. Organic products have a considerably higher share of sales online than in physical stores, suggesting that the negative trend for organic goods could be reversed as e-commerce expands. The rate of launches of new organic products remained high, with 15 to 20 new private label products. Special promotional campaigns for organic products were carried out both in stores and online during the year.

#### Organic sales

	2021	2020	2019
Share of organic sales, %	5.8	6.1	6.2

### Risk ingredients

The environmental and social impact of different products varies, even within the same category. Axfood can help move the environment in a more sustainable direction by managing its assortment. Axfood uses various eco-labels and certifications for ingredients such as tea, coffee, chocolate, cacao, bananas, soy and palm oil to help improve social and environmental conditions. These ingredients are associated with a higher risk of human rights violations and a high environmental impact in the farming sector.

Axfood advocates responsible purchasing and is developing an assortment that offers customers an expanded selection of organic and other sustainability-labelled products. Its quality assurance work primarily covers products

sold under its private labels, although many sustainability requirements apply to branded products as well. This process is based on policies and governance documents, where various quality and sustainability requirements govern where products may be purchased and the requirements for 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 must be sourced from growers that have approved certifications from the Rainforest Alliance or Fairtrade. In addition, palm oil must be certified according to the Roundtable on Sustainable Palm Oil (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 the WWF's fish guide. Any exceptions or departures from the applicable policies and governance documents must be approved through a separate process adopted by Dagab's Managing Director.

### List of banned pesticides

Axfood has 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 must comply with the list of banned, hazardous pesticides. The list of banned pesticides has been adopted by large parts of the food retail industry, with certain exceptions. The Swedish Food Retailers Federation is currently responsible for regularly updating the list. Having uniform requirements made by the industry as a whole facilitates suppliers' sustainability efforts.

### Use of water

The Group is pursuing the issues of water stress and access to fresh water as part of its efforts to reduce the environmental impact of food production. The goal is that all relevant private label and fruit and vegetable suppliers with a large water footprint will use a recognised water standard or the equivalent by 2025 at the latest. Axfood employs a water procedure for its suppliers. It is also pursuing preventive efforts through a dialogue with its suppliers, monitoring the water situation in vulnerable regions and training quality assurance staff, sustainability managers and buyers. This is intended to reduce the water footprint in production, water-related risks in the supply chain and negative impacts. Both the water requirements of particular products and the water situation where they are farmed are taken into consideration as part of this process. In cases where the risk of water stress is judged to be critical, the social, environmental and economic impact on local communities and regions are considered in the analysis, along with impacts on individual farms.



## Climate-related financial risks and opportunities

The Task Force on Climate-related Financial Disclosures (TCFD) is a framework of recommendations intended to guide the process of identifying climate-related financial risks and opportunities. Applying the TCFD gives stakeholders a better understanding of the financial consequences of climate change and what Axfood is doing to develop strategies to manage these consequences. This also improves understanding of how risks and opportunities are managed.

Employing the TCFD's recommendations involves estimating the consequences of climate change and how they will affect Axfood. This is a long-term process performed primarily as part of strategy efforts and existing risk management. Even though Axfood already employs many of the recommendations, there is a need to structure the information to create additional transparency for investors, lenders and other stakeholders. Axfood intends to implement the parts of the framework that are applicable and relevant to its operations.

### Governance

The foundation of Axfood's climate efforts is a sustainability programme designed to strengthen its business while contributing to the UN Sustainable Development Goals (SDGs) and Sweden's Environmental Objectives. The sustainability programme is an important tool encompassing both the Group's sustainability policy and multiple climate targets. Axfood's sustainability efforts and thus its climate efforts are an integral part of its business model and governance. The Executive Committee and Head of Sustainability are responsible for overall strategies, targets, actions and follow-up. The Executive Committee determines climate and sustainability targets for the entire Group every year. The Board of Directors considers sustainability issues from a strategic perspective. The Executive Committee and the Board also consider climate risks that could affect strategic objectives. The Board of Directors monitors the risk management framework and is provided with an annual survey of material risks including climate risks.

### Strategy

Axfood's vision is to be the leader in affordable, good and sustainable food. Sustainability is an integral part of the business that is found throughout the Group's strategic priorities. Integrating sustainability into the business leads to setting challenging climate targets that affect decisions throughout the entire value chain. Priorities for sustainability efforts are set through stakeholder dialogue and materiality analysis in order to determine where the Group should concentrate its efforts. The previous analysis from 2015 was

updated in 2021, and the climate issue was made a higher priority. The Group aims to further integrate the climate issue into its risk and decision-making processes in the future, in order to respond more easily to financial consequences.

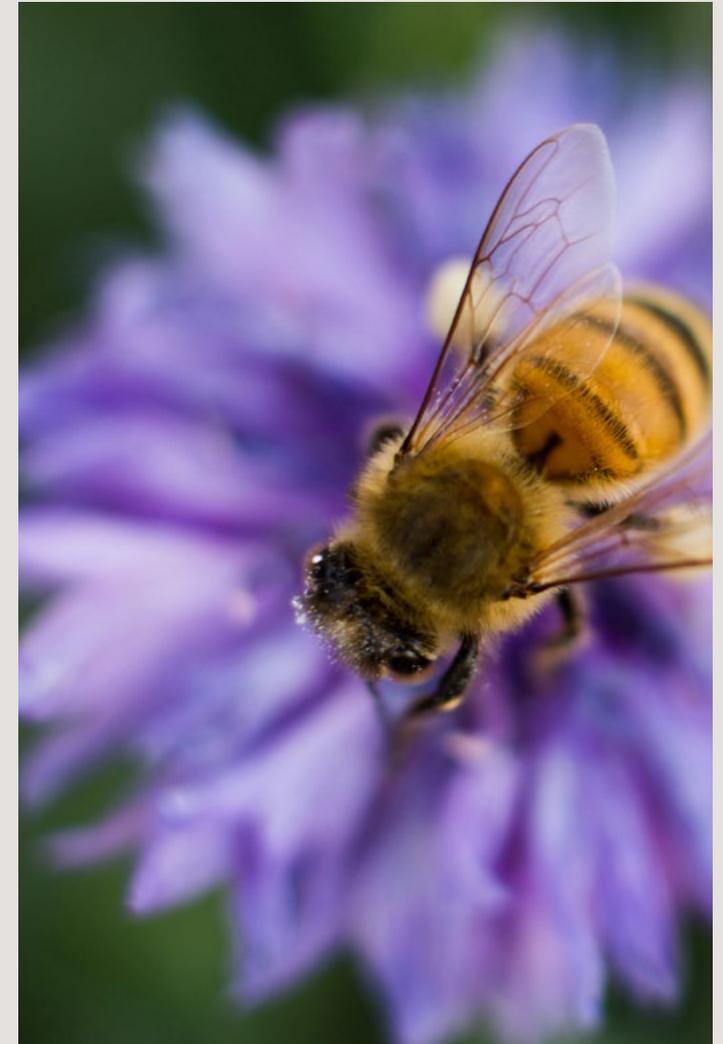
Axfood's sustainability efforts are linked to several of the UN SDGs, including Sustainable consumption and production and Combating climate change, as well as to Sweden's Environmental Objectives. Axfood wants to help limit the average increase in global temperatures to 1.5° Celsius in accordance with the target in the Paris Agreement. The Group has a target of zero emissions in its own operations (Scope 1 and 2) by 2030 at the latest. In addition, the Group has been increasing its efforts to reduce emissions in the rest of the value chain (including Scope 3). In 2021, Axfood began the process of having one of its climate targets approved by the Science Based Targets initiative.

Climate change is the most serious global challenge facing humanity, creating significant strains and risks for the planet. The latest Intergovernmental Panel on Climate Change (IPCC) report shows that climate change is already affecting food production worldwide through extreme weather and water shortages. In 2018, the effects were noticeable even in Sweden, with drastically reduced grain harvests as a result of long-term heat and drought. The danger that the climate will pass tipping points, with consequences that are dangerous and difficult to judge, is now considered urgent.

Agriculture is clearly responsible for part of the world's total greenhouse gas emissions, while at the same time the consequences of climate change are hitting agriculture and food production. Joint global efforts to eliminate greenhouse gas emissions are therefore critical to the amount of food that can be produced in the future and how it will be produced. This makes the climate one of the more critical risks facing Axfood, affecting the Group's operations to varying extents in both the short and long term. Potential risks associated with the transition to a low-carbon economy include both changing consumer preferences and stricter laws and regulations. These risks may also prove to be opportunities for Axfood in the form of higher competitiveness and profitability if the transition process is successful.

### Climate scenario

Axfood has begun developing scenarios to measure the financial impact of transition risks and physical risks that may affect its operations. Measuring financial risks related to climate change is complex. The combined impacts of transition risks and physical risks should therefore be assessed based on multiple different scenarios. Axfood has the ability to ward off the impact of



## THE ENVIRONMENT

such scenarios by increasing diversification of risk and changing its procedures, which will also help the Group as it adapts future strategies. On the other hand, it is unlikely that the Group, just like other companies in the industry and society as a whole, will not feel the impact of higher costs for managing impacts and additional preventive measures. Axfod will continue to refine its climate scenarios based on the IPCC climate reports and other research in support of its risk evaluation process. Additional analyses are needed to be able to draw more decisive conclusions about financial impacts.

An introductory discussion that includes qualitative assessments and arguments has been conducted concerning the wide-ranging impacts that global warming may create for Axfod and the entire food industry. In some parts of the world, such as the Mediterranean, it will become difficult to raise food to the same extent as today due to higher average temperatures, heat waves, rising sea levels and water shortages. Harvests are also expected to fluctuate significantly from year to year due to extreme weather variations and factors such as diseases and pests. In other places such as in Sweden, higher temperatures will probably result in longer growing seasons and the ability to raise more crops. This may result in higher productivity for domestic food production, even if uncertainties such as pests may have an effect. Longer periods of heat may negatively affect the pollinators needed to produce food in different ways. More precipitation and higher water levels as a result of more extreme weather, higher temperatures and melting ice and glaciers are tangible threats against the most valuable farmland, which is often located near coasts and other bodies of water. In addition, marine heat waves may have devastating impacts on marine environments that supply the world with fish and shellfish today.

### Risk management

To prevent risks or mitigate their effects and loss, Axfod employs an established risk process whereby climate and other risks are continuously identified, managed and reported (see pages 29–32). All of the risks identified are assessed on the basis of two equally important aspects: probability and impact. Climate risks have also been assessed on the basis of the Company's impact, but also according to how the climate and climate change may affect Axfod's ability to operate. The risks are multifaceted and encompass both transition risks that arise as a result of adapting to a more sustainable operation and the physical effects of climate change.

### Transition risks

Transition risks are financial risks that may arise during the conversion to a climate-neutral economy. More stringent climate policies, new regulations, developments in technology and changing markets may affect the parts of Axfod's operations that use fossil fuels. This may result in higher energy and operating costs in both the short and long term.

In the short term, there is a risk of not responding to the trend toward more environmentally aware consumers and changes in shopping behaviour by adjusting the assortment. This could lead to lower sales and contribute to uncertainty on the part of investors and other stakeholders concerning how the Group manages climate issues.

In the medium to longer term, higher investments may be made when replacing heating and refrigeration systems in the Group's stores and warehouses in order to make energy consumption more efficient and reduce the use of non-approved refrigerants. Higher energy costs for purchased electricity, refrigeration and heating due to higher environmental taxes or a limited supply are also viewed as transition risks. Diversifying the Group's vehicle fleet is expensive but strategically important in the transition to a climate-neutral economy. This process reduces the risk of higher costs as a result of rising diesel prices, taxes or limited supply.

### Physical risks

Physical risks are associated with climate- and weather-related events such as drought, floods and storms. These events may have both direct financial consequences in the form of property damage to stores and indirect financial consequences from lost or more expensive deliveries of goods.

Increased precipitation and higher sea levels may result in flooding making stores unable to remain open, resulting in lower sales. A warmer climate may result in higher operating costs as the need for refrigeration in warehouses and stores increases. In the case of new establishments, the necessity to locate the buildings to prevent the risk of flooding and ensure that equipment maintains the necessary energy performance is taken into account. Axfod believes that it is more expensive to compensate for these impacts afterwards than to prevent damage.

Extreme and challenging weather conditions as a result of global warming are an ever-increasing challenge for food production. It may become more difficult to obtain certain products, which may result in higher prices that affect sales. Diversifying risk requires a clearer distribution of risk across several geographic areas as early as during the purchasing process.

### Opportunities

Climate-related risks may also constitute opportunities for Axfod. A strong and preventive climate programme may strengthen the brand and attract new customers, investors and employees. Diversifying purchasing to more suppliers makes the operations less sensitive to individual price increases.

Investments in the sustainability area often produce savings. Exclusively purchasing green electricity and increasing the share of self-generated energy gradually reduces emissions while lowering costs. Reducing the use of plastics, food waste and fuel consumption are examples of activities that benefit both the climate and the Group's finances.

### Targets and key ratios

Axfod reports several key ratios for sustainability targets that meet identified risks. The climate targets help in various ways to reduce greenhouse emissions from Axfod's own operations and in the supply chain. The methods used to define and measure the targets are stated in the reporting policies (see pages 108–109).

The overall climate target entails achieving net zero emissions from own operations by 2030 at the latest. All carbon emissions in own operations are offset until the target is achieved. Axfod is to reduce electricity consumption by 10% per square metre to 2025, and no refrigerants that affect the climate are to be used when investing in new refrigeration systems. In addition, the share of domestic flights is to be reduced by 50% by 2025. A compilation of the Group's Scope 1, 2 and 3 emissions can be found on page 93. Energy efficiency is reported both as the number of kWh/sq. m. and through a compilation of energy consumption.

Emissions from Dagab's delivery fleet are to be reduced by at least 30% by 2025, and use of plastics is to be reduced by 25% by 2025. The outcome for Group-owned trucks is followed up via the amount of CO<sub>2</sub> emissions in relation to goods delivered, see page 95.

## PEOPLE

## People

Health, gender equality, diversity and working conditions are factors that affect people's well-being. Axfood is responsible for ensuring that human rights are respected throughout the value chain and strives to promote good work environments and social conditions for its own employees as well as workers in food production. An expanded offering of healthy products is an important step toward improving consumer health. Axfood's sustainability efforts with respect to people are reported under the focus areas sustainable suppliers, diversity enriches and healthy habits.

### Sustainable suppliers

Food must be produced sustainably. A sound selection process benefits suppliers with strict requirements for safety, the environment and social responsibility while promoting good working conditions throughout the entire value chain. High transparency lends credibility to sustainability efforts. Axfood observes a Code of Conduct that is based on internationally recognised conventions on human rights, working conditions, the environment and anti-corruption.

### Responsibility throughout the supply chain

Supply chains in the food retail industry are complex and built upon multiple steps with primary ingredients from several countries. Maintaining good relationships and transparency makes it easier to influence developments in a positive direction. The challenge is especially great in countries with insufficient official supervision and weak institutions and trade unions. Axfood makes use of the organisation Amfori BSCI's classification when identifying risk countries. Also industries in countries otherwise not considered risk countries are scrutinised if they have characteristics such as a large share of seasonal workers. The problem of risk sectors can be found in Sweden as well, which is why Axfood – together with Axfoundation – developed the IP Sigill Arbetsvillkor ("IP Sigill Working Conditions") standard for production of fruits and vegetables in Sweden that relies on seasonal workers. Axfood advocates the certification of Swedish fruit and vegetable suppliers that use foreign seasonal workers according to this standard or an equivalent.

The supplier base for the private label product assortment is made up of 450 (438) suppliers and 1,232 (1,061) sub-suppliers. A total of 501 (436) suppliers and sub-suppliers in this group have production located in risk countries, which is why purchasing from these suppliers is followed up. All supplier agreements are negotiated centrally by Dagab. By coordinating purchases of the Group's total volumes, Axfood gains strong purchasing

### Examples of targets

- In the long term, achieve an even gender breakdown in management positions in Axfood
- 20% of Axfood's senior executives will come from an international background

### Key ratios 2021

# 93

Number of social audits in the supply chain

# 32%

Share of women in management positions

# 16%

Share of managers with international background

# 7%

Share of sickness-related absence



PEOPLE

power that contributes to greater knowledge and control throughout the entire value chain.

Axfood strives to have an influence in several areas of the supply chain. Control is exercised through follow-up of the Code of Conduct, sustainability assessments in connection with purchases of private label products and social site audits of suppliers, primarily in risk countries. By gaining insight into suppliers' operations at an early stage, Axfood has greater influence and a better opportunity to ensure compliance with standards. This also creates an understanding of which suppliers Axfood needs to work more actively with in order to reduce the risk of deficiencies.

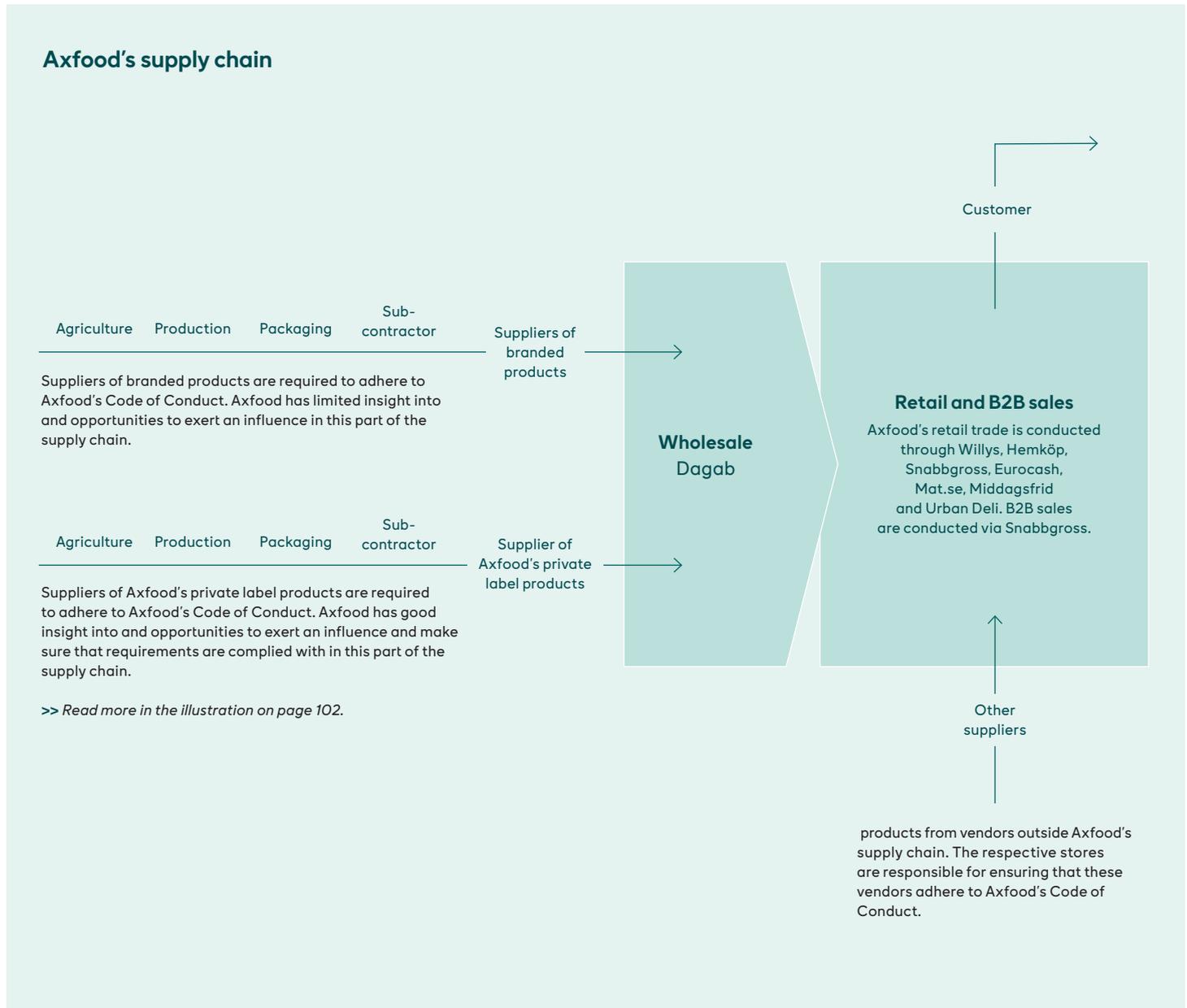
**Due diligence process for human rights and the environment**

Several years ago, Axfood updated its Code of Conduct to reflect the UN Guiding Principles on Business and Human Rights and introduced a special sustainability assessment as part of its purchasing process. This entails continually monitoring social and environmental risks and requiring that action be taken when needed. The process requires collaboration, and Axfood therefore played an influential role in the formation of the Ethical Trading Initiative (ETI) in Sweden in order to work with industry, trade unions and voluntary organisations to draw up due diligence guidelines for environmental considerations and respect for human rights.

Axfood requires its suppliers to demonstrate a systematic approach to complying with the Group's Code of Conduct and responding to identified sustainability risks. For example, they may provide evidence of social site audits, collective bargaining agreements with union organisations or projects with relevant stakeholders. The Maplecroft risk database is used on a supplementary basis when performing sustainability assessments as needed. Dagab's sustainability officers have a mandate to approve or reject suppliers and sub-suppliers in procurements. If an exception is requested, the issue is escalated to Dagab's product advisory board which includes the heads of private label as well as quality and sustainability. Risks associated with sesame seeds from Ethiopia, onions from China and blueberries from Morocco were examined and evaluated in 2021. In one case, there was no information available in the Maplecroft database. With the help of the global aid organisation Oxfam, it was established that there were known risks in the female-dominated seasonal labour force, and supplementary information was required from the supplier in question.

**Sustainability assessment in purchasing**

The starting point for Axfood's work with suppliers is its Code of Conduct, which lays out basic requirements for suppliers concerning the environment, human rights and animal welfare. Every supplier with whom an agreement is entered into must sign the Code of Conduct or have its own with corresponding standards. The Code is an integral part of the purchasing process and is included in all supplier agreements, except for certain local suppliers which are handled directly by store managers. Suppliers undertake to adhere to the Code of Conduct when they enter into a contract with Axfood.



PEOPLE

which the respective purchasing managers are responsible for. Existing supplier agreements are continually reviewed 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 the products or their constituent ingredients. A sustainability assessment is performed if 5% or more of an ingredient or product comes from a risk country.

Existing and potential risks in the supply chain are identified based on a number of different parameters, such as human rights, child labour and social working conditions. This information is updated by Maplecroft's analysts. Among other measures, suppliers must show that they have a systematic approach to complying with Axfod's Code of Conduct. This is done through social audit reports such as BSCI, SA8000 and SEDEX or by showing that a credible collective bargaining agreement has been entered into with a recognised trade union. A crucial aspect of this assessment is that the suppliers show transparency and are able to provide an account of potential

environmental and social risks. Suppliers must also demonstrate how they respond to and minimise existing risks. Dagab's sustainability officers compare their answers with the information in the risk analyses and determine on a three-degree scale whether a supplier can be accepted, be accepted under certain conditions that are included in the agreement, or if the supplier is disqualified from continuing with the procurement process. Sustainability officers have a mandate not to 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. A supplier or sub-supplier is eliminated due to these assessments in nearly every procurement, and only approved suppliers are allowed to continue on to price negotiations. Axfod thus rewards suppliers who pursue thorough sustainability efforts in their supply chains while protecting these suppliers against unfair competition from suppliers who avoid responsibility. Axfod has been employing this procedure for several years and has seen major improvements.

**Review of suppliers of private label products**

Axfod has the greatest insight into and opportunity to influence suppliers that produce the Group's private label products. Strict requirements are

imposed on these suppliers to minimise 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 prospects for minimising and preventing risks in their operations and along their own sub-supply chains. The solution to deviations is not to discontinue the business relationship as the first choice, but rather to demand improvements and ensure that they are implemented. Axfod only discontinues the business relationship if the supplier does not take the actions required, does not show a willingness to improve or in cases of corruption or false information.

Axfod is working to make all of its suppliers' operations more sustainable. To this end, development and information projects are undertaken to disseminate knowledge among the people working in the supply chain. Axfod stands behind the principle of everyone's right to a wage that they can live on. The legal minimum wage that exists in many countries does not always cover the basic costs for a family – in other words, it is not always a living

**Sustainability assessment in purchasing of private label products**



**Risk analysis (ingredients/countries)**

Axfod conducts an analysis of ingredients and countries where risks may arise.



**Supplier requirements with respect to working conditions**

Axfod imposes requirements with respect to working conditions that must be fulfilled by its suppliers (Axfod's Code of Conduct).



**Step 1: Screening**

Suppliers must show how the Code of Conduct is followed up in the production chain at the ingredient level. Axfod approves certifications, social audits (BSCI, SA8000, SEDEX, etc.) and collective bargaining agreements. Collaborations with voluntary organisations and trade unions are also taken into consideration. Verification is requested.



**Step 2: Identification**

Suppliers must provide an account of the entire production chain as well as the potential social and environmental risks and the actions taken to reduce these risks. Level of knowledge and actions are taken into consideration. Feedback on risk analyses is provided in conjunction with this assessment.



**Step 3: Screening**

Selection is made based on assessment of sustainability level. Purchasing is steered toward suppliers with developed sustainability work. Suppliers with insufficient checks are excluded from the purchasing process.

Selection process

## PEOPLE

wage. Axford has a living wage strategy that guides its efforts to improve living conditions in the supply chain.

In collaboration with Oxfam, value chains for a number of product ingredients are analysed to identify ways of helping growers and farmers achieve a sustainable living. A project in the basmati rice region in Punjab, Pakistan has helped raise the income of approximately 2,500 small farmers. In addition, Axford and other partners including Oxfam implemented a pilot project during the 2020–2021 rice harvest to investigate how a living income can be achieved for the rice farmers. A bonus was paid to several small farmers and seasonal workers, bringing them much closer to an income that allowed the families to cover their basic needs. The project will continue in 2022, after which it will be evaluated.

In China, Bangladesh and Thailand, Axford 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 videos in the local language and questions for follow-up discussions to assess the level of knowledge. In cases where the right to freely form unions and to hold collective negotiations is restricted, it is even more important to demonstrate how employers can hold social dialogues in the workplace. Evaluations show that both employers and employees feel that the dialogue in their workplaces has improved after training with QuizRR.

In addition to sustainability assessments in connection with new private label product procurements, annual assessments are conducted in which Axford's existing suppliers are evaluated. These are documented in Axford's new quality assurance system. The aim is to actively cooperate with existing suppliers, follow up any action plans and support sustainability efforts. The sustainability efforts are followed up on a continuous basis and evaluated after the period for making improvements has expired. The supply chain and sub-suppliers operating in risk countries are identified in the system's database. The process of creating action plans for how data can be systematically used in the external reporting is still in progress, since the database does not yet contain complete information.

## Social audits

The risk of deviations from Axford's Code of Conduct is believed to be greatest if products are manufactured in or contain ingredients or material from risk countries. The Group employs the organisation Amfori BSCI's classification of risk countries. In addition, there are risk sectors in countries that are not traditionally regarded as risk countries. Approximately 500 of Axford's suppliers and sub-suppliers of private label products operate in some 30 risk countries. Axford requires social audits in all risk countries to ensure compliance with the requirements laid out in the Code of Conduct.

Amfori BSCI performs the majority of Axford's social audits, but audits according to the SEDEX and SA800 standards, for example, are accepted as well. The audits are broken down into five levels on a scale from A to E, where A is without remarks, B is satisfactory and E is unacceptable. C is considered

to be an acceptable level, while D and lower requires suppliers to submit an action plan and explain the main reasons for any deviations. Suppliers that are audited via Amfori BSCI are followed up through an established procedure within the framework of the audit system. Action plans are required and follow-up audits are conducted as 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. There is a zero tolerance policy for particularly urgent cases of serious human rights violations, such as child labour and compulsory labour, or where there is an immediate danger to health and safety. Serious deviations are followed up directly with the supplier in accordance with an established process. In these cases, Amfori BSCI convenes immediate meetings with the supplier and all buyers involved to agree upon an action plan.

## Social impacts in the supply chain

## GRI 414-2 Negative social impacts in the supply chain and actions taken

	2021	2020	2019
Number of private label product suppliers assessed for social impacts	93	123	96
Of which, follow-up audits	36	46	-
Number of private label product suppliers identified as having negative social impacts	11	13	12
Of which, number of suppliers that received a score of D	10	13	11
Of which, number of suppliers that received a score of E	0	0	0
Of which, number of suppliers that lack a score	1	0	0
Of which, number of suppliers with identified zero-tolerance deviations	0	0	1
Number of private label product suppliers identified as having negative social impacts where actions plans have been drawn up	10	13	12
Number of private label product suppliers identified as having negative social impacts where actions plans have not been drawn up	1	1	0
Share of private label product suppliers identified as having negative social impacts where actions plans have been drawn up, %	90	92	100
Number of suppliers identified as having negative social impacts where the relationship was terminated	1	0	1
Share of suppliers identified as having negative social impacts where the relationship was terminated, %	1	0	1

In 2021, the number of private label suppliers and sub-suppliers increased to 501 (436). This increase is mainly attributable to improved system support, where suppliers can more easily be linked to Axford in Amfori BSCI's audit platform. During the year, BSCI also switched system platforms, meaning that non-current suppliers could be removed from Axford's supplier list and thereby show a more accurate result.

During the year, a total of 93 (123) social audits were carried out at private label suppliers. This decrease was mainly attributable to the fact that several audits were delayed due to the Covid-19 pandemic. In total, ten suppliers were identified as having some sort of negative social impact according to BSCI's audit system.

Three of the audits during the year that showed some form of negative social impact were follow-up audits, where the purpose was to follow up the status from previous audits with a focus on how the suppliers can make improvements. Common deviations from the social audits during the year mainly pertained to substandard working conditions and work environments. Among other shortcomings, it was noted that employees work too much overtime, and in certain cases it was not possible to verify working hours or correct salaries 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. Such deviations are followed up by Axford in close dialogue with the supplier and accredited auditors during the next audit.

Two of the audits from the end of the year with the most serious deviations pertained to suppliers in Thailand who could not guarantee that migrant workers had not been forced to pay a portion of their recruitment costs themselves, which can be classified as forced labour. An action plan was established for one of the suppliers and prompt remedial measures were taken to address the shortcomings. Unfortunately however, the work was delayed with new restrictions due to the Covid-19 pandemic and could not be finalized by year-end. If no improvement is made, Axford will end its partnerships with the suppliers.

## PEOPLE

## Suppliers – anti-corruption and bribery

Through its Code of Conduct, Axford requires contract suppliers to take active steps to prevent corrupt conduct. Local suppliers that are dealt with directly by store managers are not included. When suppliers agree to the Code of Conduct, they pledge that they have an anti-corruption policy and procedures to monitor corruption and unethical behaviour, including among their sub-suppliers. Axford's Code of Conduct stipulates zero tolerance for the presentation of false verbal or written information and the offer or acceptance of bribes or corruption. If a supplier violates any of these terms and does not rectify the shortcomings within the agreed time, this is sufficient to terminate the relationship. Monitoring of corruption risk in the supply chain is conducted primarily in the case of suppliers of private label products that are made in risk countries, where the risk of corruption is considered to be greatest. Monitoring is carried out through social audits and dialogue with suppliers. In some cases, 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 officers are obligated to follow up on social audits. Amfori BSCI also conducts extensive integrity work including unannounced spot checks and reviews audits to identify any irregularities in audit documentation. Dagab has an anti-corruption programme that includes training on corruption issues in the supply chain for all employees in purchasing and quality assurance functions. The programme aims to improve and develop internal processes in order to be able to combat corruption preventively.

## Incidents of corruption

## GRI 205-3 Confirmed incidents of corruption and actions taken

	2021	2020	2019
Number of confirmed incidents of corruption, external	0	0	1
Number of confirmed incidents where contracts with business partners were terminated or not renewed due to violations related to corruption	0	0	1

As in 2020, Axford had no incidents of corruption to report for 2021. In total, 93 (123) social audits were carried out in 2021. 88 (118) of these audits were carried out without remarks regarding corruption or deviations from Axford's ethical guidelines, while 4 (3) were carried out with smaller deviations. Only 1 audit (2) showed significant deviations that needed remediation. No supplier agreements were discontinued during the year as a result of false information or a lack of business ethics.

## Diversity enriches

Axford is a values-governed company that aspires to reflect society as a whole. Every individual is important, and diversity is essential for building a strong team. Axford strives for an even gender breakdown and broad international representation among its employees. The employees' diversity of talents, competencies, backgrounds and perspectives creates new opportunities, leads to better decisions and makes a positive contribution to the business.

## Diversity and inclusion – everyone's equal value

Axford endeavours to reflect the diversity found in society, and offers all of its employees fair opportunities to contribute and grow professionally. Axford aims to be an inclusive employer where everyone is treated with respect based on their unique characteristics, where skills and potential are valued above demographic, cultural and socioeconomic differences. All workplaces are to be free from all forms of discrimination and offensive treatment.

The Group has guidelines and governance documents that stress the importance of embracing employees' varying talents, competencies, backgrounds and perspectives, such as ethical conduct rules and an equal treatment policy.

Axford works to increase diversity among its employees by ensuring objective and fair recruitment processes. Ambitious long-term targets ensure that the Company is moving toward 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 organisation. This work is driven through transparency and continuous follow-up of target achievement.

One measure of gender equality 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 equality

Gender breakdown, %	Men			Women		
	2021	2020	2019	2021	2020	2019
Board	57	63	57	43	38	43
Executive Committee	50	50	70	50	50	30
Management teams of Group companies, including Group and staff management	52	63	62	48	37	38
Employees with subordinates	68	67	67	32	33	33
Employees, salaried	53	46	46	47	54	54
Employees in warehouses, e-commerce and transport	76	79	80	24	21	20
Employees, stores	34	35	36	66	65	64
<b>Total</b>	<b>46</b>	<b>44</b>	<b>45</b>	<b>54</b>	<b>56</b>	<b>55</b>

The share of men in the Axford Group in 2021 was 46% (44) and the share of women was 54% (56). Axford has set a target to have a gender breakdown in management positions within a range of 40–60%. During the year, the share of women in management positions was 32% (33). As in the prior year, the Executive Committee had a fully even gender breakdown.

## Diversity

Share of employees with international background, %	2021	2020	2019
Management teams of Group companies and Group and staff management	7	10	4
Managers (including team managers)	16	15	15
Employees, salaried	15	13	13
Employees in warehouses, e-commerce and transport	43	39	36
Employees, stores	28	27	26
<b>Total</b>	<b>28</b>	<b>26</b>	<b>26</b>

Axford's target has been that 20% of the Group's managers will have an international background. During 2021, this share was 16% (15). The share of employees with an international background increased in all groups of the company, with the exception of management groups.

## PEOPLE

**Business ethics and discrimination**

To maintain a high level of trust among customers, suppliers and other stakeholders, it is important to uphold and strive for transparency and good business ethics. All individuals who perform work for Axfood or who in some other way represent the Group are – in addition to acting in accordance with applicable regulations and laws – obligated to adhere to the Group's ethical conduct rules and equal treatment policy. Suppliers that invoice 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 authorisation right, or who can in some other way influence purchasing decisions for products or services, are required to sign the ethical conduct rules when they are hired and then every year thereafter.

Axfood's whistleblower function contributes to compliance with the Code of Conduct. It is a key tool for upholding sound corporate governance and contributing to an effective process in which risks and deficiencies in the operations are identified, so that they can be investigated and remedied. All wholly owned companies within the Group, except for Urban Deli and Cold Cargo, have access to the whistleblower service. The service is provided by an external contractor, which enables anonymous reporting. Reported cases are initially addressed by the Group's whistleblower committee. The committee consists of four employees from different parts of the Group, and external specialists are brought in when needed. The number of cases reported and handled is reported to the Board of Directors annually.

The cases reported via the whistleblower function in 2021 were addressed in accordance with the established guidelines and procedures. None of the cases reported qualified as whistleblower cases. The cases were either handed over to the relevant function at the company in question to be addressed or the reporting party was encouraged to make similar contact themselves.

**Healthy habits**

Ill-health is a major societal problem, where eating habits, lifestyle and work environment are common contributors. Axfood will offer its employees a healthy work environment with good working conditions that contribute to a low rate of sickness-related absence. Through extensive quality assurance work, Axfood ensures and offers a varied assortment of healthy products that encourage good food habits and good health.

**Work environment and employee health**

The food retail industry is constantly evolving in pace with consumers' rapidly changing needs and behaviours. A high pace of change and complexity are placing 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 low sickness-related absence and good health.

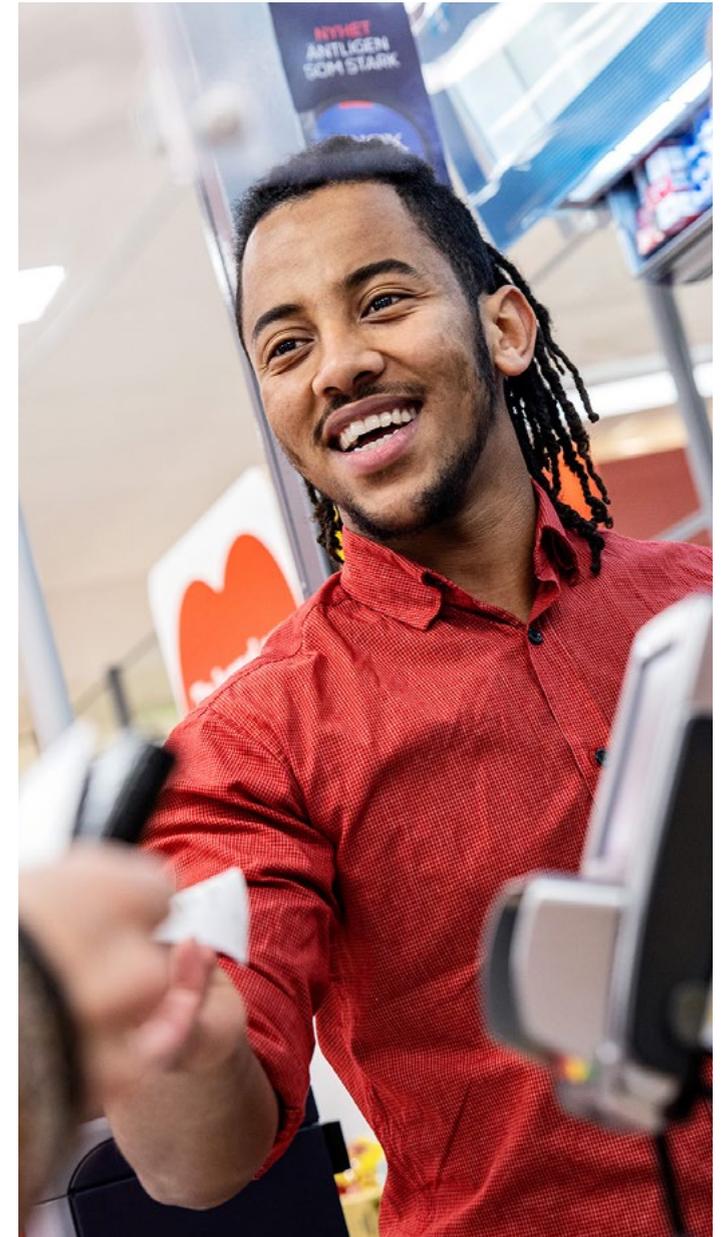
**Governance and work approach**

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 the operations and are conducted through cooperation between employers, employees and the employee unions. Managers, employees and the unions are to actively participate in the effort to achieve a good work environment that promotes employees' health.

Axfood has a central HR organisation and local HR departments in the Group's companies. At the central level, HR specialists work with Group-wide processes, systems and training. In support of this work are an employee manual, work environment committee and employee support. The Group works closely with operations and strategically on issues pertaining to employees and their development.

Axfood has a Group-wide training unit for skills development, Axfood Academy. All employees have both the opportunity and an obligation to pursue continuing education and skills development. Employees receive relevant training for their roles and participate in performance reviews with their immediate supervisors at least once a year. Together they draw up, decide on and follow up every employee's development plan. Axfood's leaders take Axfood Academy's leadership courses, where they receive training in matters such as sickness-related absence, 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 decrease the sickness-related absence rate through proactive wellness initiatives.

It is fundamental for all of Axfood's companies to act in accordance with labour and work environment laws as well as with collective bargaining agreements. Axfood believes that its governance of strategic employee matters is appropriate. All employees in Sweden are employed by companies in the Group and are thus covered by Swedish collective bargaining 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.



## PEOPLE

## Monitoring

Axford adheres to high standards for a good work environment. Trends in individual incidents, injuries, employee turnover and the sickness-related absence rate are 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 sickness-related absence 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. Significant deviations from previous periods may be an indication of shortcomings in the operations and dissatisfaction among employees. The earlier these are detected, the greater the potential there is to influence, investigate and remedy.

Work environment initiatives are governed, conducted and monitored through work environment committees. At the Group level, there is a work environment group made up of union representatives, a chief occupational safety officer, representatives from Axford's companies and Axford'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 their own local safety committee, work environment activities take the form of safety inspections and employee meetings. This means that also employees at these workplaces have an influence over their local work environment activities.

Axford has procedures to identify early signs of ill-health. Managers conduct well-being talks with employees in cases of repeated sickness-related absence consisting of three occasions within six months or six occasions within 12 months. The talks are aimed at deciding together on measures for preventing ill-health and sick leave. To ensure that managers have knowledge about the procedures at their disposal, training in systematic work environment initiatives, sickness-related absence, the rehab process, and organisational and social work environments is obligatory for all managers. System support for sickness-related absence and rehabilitation is available.

## Sickness-related absence

	2021	2020	2019
Share of sickness-related absence, %	6.7	6.8	5.6

Total sickness-related absence in 2021 was 6.7% (6.8%). The high level was, as in 2020, mainly attributable to the Covid-19 pandemic. During the year, the spread of disease was lower than in the prior year during periods, but since people with symptoms were recommended to stay home from work, the sickness-related absence continued to remain on a high level.

## Employees

## GRI 102-8 Information on employees and other workers

Gender breakdown by employment contract	Men			Women			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Permanent and probationary	6,046	5,906	5,485	7,141	6,914	6,277	13,187	12,820	11,762
Temporary employment	426	446	456	814	792	717	1,240	1,238	1,173
<b>Total</b>	<b>6,472</b>	<b>6,352</b>	<b>5,941</b>	<b>7,955</b>	<b>7,706</b>	<b>6,994</b>	<b>14,427</b>	<b>14,058</b>	<b>12,935</b>

Employment contract by contract area	Retail			Warehouses			Salaried employees			Transport			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Permanent and probationary	8,615	8,354	7,545	2,587	2,548	2,295	1,947	1,882	1,835	38	36	87	13,187	12,820	11,762
Temporary employment	1,055	1,091	1,067	131	78	70	54	69	35	0	0	1	1,240	1,238	1,173
<b>Total</b>	<b>9,670</b>	<b>9,445</b>	<b>8,612</b>	<b>2,718</b>	<b>2,626</b>	<b>2,365</b>	<b>2,001</b>	<b>1,951</b>	<b>1,870</b>	<b>38</b>	<b>36</b>	<b>88</b>	<b>14,427</b>	<b>14,058</b>	<b>12,935</b>

Gender breakdown by employment type	Men			Women			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Full-time employment	4,069	3,999	4,096	2,839	2,717	3,288	6,908	6,716	7,384
Part-time employment	2,404	2,353	1,845	5,115	4,989	3,706	7,519	7,342	5,551
<b>Total</b>	<b>6,473</b>	<b>6,352</b>	<b>5,941</b>	<b>7,954</b>	<b>7,706</b>	<b>6,994</b>	<b>14,427</b>	<b>14,058</b>	<b>12,935</b>

## Product safety – customer health and safety

All of Axford's products are to comply with legislative requirements for health and food safety. If serious deficiencies 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.

Deficiencies related to product safety could cause financial loss as well as harm to the brand. Axford therefore works actively in this area, through measures including extensive internal inspection programmes in stores and quality assurance of private label products. This work encompasses the entire process, from recipe formulation and choice of additives to manufacturing. The relevant requirements are stated in Axford's quality and sustainability 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 strat-

egy stipulates specific requirements for the respective product categories. Information on ingredients and composition is reviewed with respect to both internal policies and applicable laws. Only products that fulfil all internal and external criteria may be sold. This ensures that the products sold in Axford's stores are safe for consumption and that information on constituent ingredients is accurate.

Compliance with and follow-up of the quality and sustainability strategy are integral parts of daily operations. Axford has a policy that food suppliers must be certified according to a standard approved by the Global Food Safety Initiative (GFSI). For Axford's household chemical products, cosmetics, skin care products and non-food products, the suppliers must be certified according to ISO 9001.

The quality and sustainability strategy is updated on a continuous basis as existing requirements are expanded or new ones are implemented.

## PEOPLE

### New employee hires and employee turnover

#### GRI 401-1 New employee hires and employee turnover

Age <sup>1)</sup>	-29 yrs			30-49 yrs			>50 yrs		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Number of new employee hires	1,010	1,224	1,131	453	577	540	93	103	88
Hiring turnover, %	21.4	26.3	25.5	9.6	10.2	10.4	3.5	4.1	4.1
Number of employees who have left	1,416	1,057	1,280	711	677	622	134	145	136
Employee turnover, %	30.1	22.7	29.0	15.1	11.9	12.0	5.1	5.8	6.0

1) Reported figures only include employees whose age has been verified.

Gender breakdown <sup>2)</sup>	Men			Women			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Number of new employee hires	700	853	851	856	1,068	908	1,556	1,923	1,759
Hiring turnover, %	11.6	14.4	15.5	12.0	15.4	14.5	11.8	15.0	15.0
Number of employees who have left	958	887	863	1,303	1,026	1,175	2,261	1,914	2,038
Employee turnover, %	15.8	15.0	16.0	18.2	14.8	19.0	17.1	14.9	17.3

2) Reported figures only include employees stating a binary gender designation.

Contract area	Retail			Warehouses			Salaried employees			Transport		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Number of new employee hires	881	1,145	931	502	592	487	164	174	246	9	12	95
Hiring turnover, %	10.2	13.7	12.3	19.4	23.2	21.2	8.4	9.2	13.4	23.7	33.3	109.2
Number of employees who have left	1,578	1,258	1,457	512	427	382	164	165	177	7	64	22
Employee turnover, %	18.4	15.1	19.0	19.8	16.8	17.0	8.4	8.8	10.0	18.4	177.8	25.0

The number of new employees decreased in comparison with the previous year, while employee turnover increased to 17.1% (14.9).

Dagab's quality department is responsible for ensuring that both the existing assortment and new products meet requirements. In stores, daily arrival and temperature checks are conducted, and clear procedures 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, products are sometimes recalled. This happens when a product is deemed to pose a health risk or due to incorrect labelling or a quality defect. Clear internal procedures 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 presented below.

#### Product recalls

##### 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

Number of recalls due to quality defects	2021	2020	2019
Private label products <sup>1)</sup>	33	32	36
Other products (branded products)	100	83	73
<b>Total</b>	<b>133</b>	<b>115</b>	<b>109</b>

1) Of which, 5 (5) were of a serious nature.

In 2021, a total of 133 (115) product recalls were conducted, most of which pertained to branded products. Five recalls within private label products were of a serious nature, but no recalls resulted in the imposition of fines.

#### Healthy choices

Axfood offers a varied assortment of healthy products that encourage good food habits. Both existing and new products in the assortment are continuously reviewed from a health perspective with the goal of minimising ingredients with negative health effects. The basic rule is not to use unnecessary additives, and additives such as for example azo dyes are never used. Any additives used must fulfil key functions.

Long term work is ongoing to decrease the amount of salt and sugar in private label products without affecting the taste. Goods that consumers do not expect to contain sugar are prioritized. In 2021, several new products with a health profile were launched such as snacks of nuts, chickpeas and lenses, falafel of Swedish yellow peas and bulgur made of chickpeas. The internal health campaign "Healthy and smart food" was rolled out to inspire and increase employees' knowledge with respect to healthy foods and habits. The campaign continues during 2022.

## Reporting principles and definitions

### Boundaries

Axfood's sustainability report mainly covers the parts of the operations that have 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 efforts. The acquisition of Bergendahl Food AB was completed on 1 October. The integration with Dagab is ongoing and the operations of Bergendahls will be included in Axfood's 2022 Sustainability Report. Activities that are outside 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 otherwise specified.

### Significant changes in the scope and boundaries of the reporting

- As of the first quarter of 2021, Cold Cargo's shipments are also included in the reported data. Comparison figures have not been restated.
- The number of square metres for Dagab's six warehouses has been updated, and the comparison figures from previous reporting periods have thus been restated.
- Purchased supplemental heat from Willys was included in the energy consumption outcome for 2021.

### Emissions

Data is collected internally and from relevant suppliers. Climate data is generally associated with 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). Recalculation to CO<sub>2</sub>e equivalents consists of mainly carbon dioxide, methane and nitrous oxide as well as f-gases. CO<sub>2</sub> equivalents is a common measurement of emissions from certain types of greenhouse gases and their impact on the climate. The impact from the emissions are recalculated to the corresponding amount of carbon dioxide that would cause the same effect. Reporting is performed 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 is to 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 2020 has been used: 93.1000 g CO<sub>2</sub>/kWh. As a comparison, the Nordic average mix for 2019 was 74.953 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, bus 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 two warehouses where certain data is provided directly by the lessor. Stores where district heating is part of the rental cost are not included. Supplemental heating was purchased for nine warehouses, 22 Willys stores and 12 Snabbgross stores. Newly established stores and warehouses are included in the reporting starting from the month in which they were opened. The selection includes electricity consumption under joint contracts for a total of 281 of Axfood's Group-owned stores, three office buildings and all warehouses. Electricity consumption for franchise stores is not included. Self-generated energy pertains to solar power from 15 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 2021 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 kilowatt hours (kWh) of purchased electricity used per square metre. The selection includes electricity consumption under joint contracts for a total of 281 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 2021 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 the IPCC since 2006.

### Transports

Data pertains to goods transports between warehouses and stores.

### Group-owned transports

Reported data is based on consumption from 155 (150) heavy-duty trucks and 107 (110) light-duty trucks. Data is collected from fuel suppliers. Emissions factors are compiled with the aid of documentation from the Swedish Energy Agency and fuel producers. Reported data for Group-owned transports is presented for the period December 2020–November 2021. 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 270 (288) 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 2020–September 2021. 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 were included in or eliminated from the financial reporting.

## REPORTING PRINCIPLES AND DEFINITIONS

**Employees**

Reported data includes all of Axford's active employees. 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 gender designation are not included in the calculations of gender equality or employee turnover. Since Axford's operations are conducted exclusively Sweden, the number of employees is not reported broken down by region.

**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 do not include deaths, terminations, retirements as well as acquired or divested businesses. The calculation is based on data from Statistics Sweden.

**Gender equality**

Gender balance is calculated as the share of women in management positions at the end of the current period. Management position refers to employees who are defined as managers with employee responsibility, including members of the Executive Committee. The calculation is based on data from Statistics Sweden.

**Sickness-related absence**

The number of reported hours of sickness-related absence in relation to scheduled work time. The selection includes all active employees in the Axford Group. Active employees pertains to all employees in the Group except for Urban Deli AB and Hall Miba AB. Internal consultants and employees on parental leave or leave of absence are not included. Sickness-related absences for 2021 pertain to time worked during the period December 2020–November 2021.

**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 undergone either an initial or follow-up social audit in accordance with any of the third-party audits that Axford 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. Production facility refers to a factory, warehouse 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 Axford's total food sales. The selection includes Group-owned stores for Willys, Eurocash, Hemköp and Snabbgross.

**Share of sustainability-labelled products**

Sales of sustainability-labelled products with a valid country of origin marking as a percentage of total Axford Group store sales. The selection includes Group-owned stores for Willys, Eurocash, Hemköp and Snabbgross.

**Share of KRAV-certified meat**

Sales of KRAV-certified meat items (fresh and frozen) as a percentage of the Axford Group's total sales of meat products. The selection includes Group-owned stores for Willys, Eurocash, Hemköp and Snabbgross.

**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 for Willys, Eurocash, Hemköp and Snabbgross.

**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 Axford's total sales of seafood products. The selection includes Group-owned stores for Willys, Eurocash, Hemköp and Snabbgross.

**Food waste**

Food waste is reported in relation to total sales and pertains to Axford'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 standardised 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, Eurocash, Hemköp (including franchise stores) and Snabbgross. Reported data pertains to the 2021 calendar year.

**Precautionary principle**

The precautionary principle is one of the fundamental principles for generally accepted reporting standards. The precautionary principle is applied to sustainability where necessary, such as in estimates.



## Axfood's reporting in accordance with the EU taxonomy regulation

The EU taxonomy for sustainable activities (EU 2020/852) entered into force in July 2020. The purpose is to make it easier for investors to identify and compare environmentally sustainable investments through a common system to classify environmentally sustainable economic activities. Large companies of general interest affected by the sustainability reporting requirements of the Non-Financial Reporting Directive must report how much of their activities the directive applies to for the 2021 financial year.

The taxonomy is based on activities that research shows are responsible for a large share of greenhouse gas emissions, and that the EU deems to have a critical role to play in the transition to a low-carbon, resilient economy that uses resources efficiently. Axfood's food retail business is not one of the above referenced activities, so the taxonomy only encompasses a limited part of the business. Although Axfood's main business is not encompassed by the taxonomy's list of activities, the Group is still considered able to contribute to the transition. Axfood has engaged in thorough sustainability efforts, with sustainability as an integral part of the entire business, for many years. Even if the taxonomy does not currently encompass the Group's sustainability targets, several of them reflect the UN Sustainable Development Goals (SDGs).

Only a very limited share of Axfood's sales are classified as direct revenue-generating activities according to the taxonomy. The majority of the business is made up of enabling and transitional activities. However the Group has an indirect impact on the economic activities mentioned in the taxonomy's first two delegated acts on mitigating and adapting to climate change. The Group's investments in property, plant and equipment and right-of-use assets as well as related costs are the parts of the business with the greatest coverage by the taxonomy. Axfood's activities that are encompassed by the Taxonomy Regulation, which may be environmentally sustainable now or in the future, are disclosed here together with the relevant accounting policies.

Key ratios	Total, SEK m	Share of economic activities covered by the taxonomy, %	Share of economic activities not covered by the taxonomy, %
Revenue	57,891	0.1	99.9
Capital expenditures	4,145	4.2	95.8
Operating expenses	4,065	1.4	98.6

### Revenue

E-commerce revenue accounts for around 8% of Axfood Group store sales. Axfood is becoming increasingly dependent on transports with the growth of e-commerce. The Group's own fleet is being converted to reduce the Group's carbon emissions by using more renewable fuels and becoming more fuel-efficient. This transition of the transport fleet is classified as an enabling activity according to the taxonomy. The share of e-commerce revenue covered by the taxonomy corresponds to invoicing shipments for the e-commerce deliveries shipped on the Group's own trucks.

Axfood recovers heat generated by the refrigerated and freezer cases in its stores and warehouses. The central and regional warehouse in Jordbro is connected to the district heating network where it sells its surplus heat. The share of revenue corresponding to sales of surplus heat is also considered an enabling activity covered by the taxonomy. The share is based on the quantity of self-produced heat and the price negotiated with the electricity supplier. Recovered heat has been excluded in cases where it could not be reliably calculated.

The base corresponds to the total reported revenue for the financial year (see consolidated comprehensive income on page 46 and Note 3). The policies for consolidated revenue recognition are described in more detail under Note 1 and Note 5 in the accounting policies.

### Capital expenditures

Axfood's non-current assets primarily comprise right-of-use assets for warehouse and store premises, vehicles and some machinery and IT equipment. Axfood leases all of its warehouse and store premises, which is why a majority of the Group's reported non-current assets are attributable to right-of-use assets for leases signed by the Group. The property owner is usually responsible for maintenance, renovation and repairs (see Note 11). Other investments in non-current assets consist of store and warehouse equipment, machinery and IT equipment, and transports.

As a rule, Axfood is responsible for the installation and maintenance of all energy-related products located in stores and warehouses, primarily various refrigeration and heating systems. During the Group's refurbishments and new establishments, refrigeration systems are replaced so that the refrigerants used meet the requirements stipulated in the European F-gas Regulation (EU/517/2014). Dagab is responsible for the Group's logistics flow; it owns nine warehouses serving stores and two dark stores. Products from various suppliers are distributed from the store warehouses to stores belonging both to the Group and to external customers. The dark stores

handle home deliveries for Axfood's consumer e-commerce business in the Stockholm and Gothenburg areas. Home deliveries from the Group's dark stores are primarily distributed using Dagab's own trucks, while store-to-home deliveries are made using a service provider.

Assets encompassed by the taxonomy pertain both to Group-owned trucks and to investment costs for new refrigeration and heating systems. The trucks have an obvious connection to the Group's core business, while investments in more energy-efficient systems help make it possible for other parties to make the transition, while helping to reduce emissions in Axfood's value chain. The value of the assets encompassed by the taxonomy corresponds to the cost for these assets through total acquired non-current assets, including right-of-use assets during the current reporting period (see notes 11, 17 and 18). Property, plant and equipment are recognised at cost after deducting accumulated depreciation and any impairment. Cost includes the purchase price plus direct costs associated with putting the asset in place in a condition to be used in the operations.

### Operating expenses

According to the taxonomy, operating expenses encompassed by the Taxonomy Regulation must be disclosed if they may be environmentally sustainable now or in the future and correspond to direct, non-capitalisable costs for daily maintenance of the Group's assets. For Axfood, this pertains mainly to repair and maintenance costs for trucks and refrigeration and freezing units. From a Group perspective, this share of expenses is negligible since the financial impact is extremely limited. Accordingly, the taxonomy does not include costs deemed to contribute to Axfood's transition efforts by reducing greenhouse gas emissions, such as operating costs related to the Group's solar panel systems, purchased green electricity and costs for fuels.

## GRI INDEX

## GRI Index

The table below shows 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 Nasdaq's guide are marked below.

GRI Standards	Description/ disclosure	Contents	Page reference	Omitted information
GRI 102: General disclosures (2016)	102-1	Name of the organisation	35	
	102-2	Activities, brands, products and services	4, 13, 17-28	
	102-3	Location of head office	35	
	102-4	Location of operations	35	
	102-5	Ownership and legal form	35, 120-121, 135-136	
	102-6	Markets served	35	
	102-7	Scale of the organisation	35-45	
	102-8	Information on employees and other workers	106-107, 109	
	102-9	Supply chain	100-104, 109	
	102-10	Significant changes to the organization and its supply chain	108	
	102-11	Precautionary Principle or approach	109	
	102-12	External initiatives	85, 90, 93, 96-97	
	102-13	Membership of associations	85	
Strategy (2016)	102-14	Statement from senior decision-maker	5-7	
Ethics and integrity (2016)	102-16	Values, principles, standards and norms of behaviour	27-28, 85, 105	
Governance (2016)	102-18	Governance structure	84-86, 118-126	
Stakeholder engagement (2016)	102-40	List of stakeholder groups	86-87	
	102-41	Collective bargaining agreements	105	
	102-42	Identifying and selecting stakeholders	86-87	
	102-43	Approach to stakeholder engagement	86-87	
	102-44	Key topics and concerns raised	86-87	
Reporting bases (2016)	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	86	
	102-48	Restatements of information	108	
	102-49	Changes in reporting	108	
	102-50	Reporting period	35, 84	
	102-51	Date of most recent report	84	

GRI Standards	Description/ disclosure	Contents	Page reference	Omitted information
Reporting bases (2016) <i>cont'd.</i>	102-52	Reporting cycle	35, 84	
	102-53	Contact point for questions regarding report	84	
	102-54	Claims of reporting in accordance with the GRI Standards	84	
	102-55	GRI content index	111	
	102-56	External assurance	112	
	GRI 205: Anti-corruption (2016)	103-1/2/3	Approach 205	104-105, 108-109
205-3		Confirmed incidents of corruption and actions taken	104-105	
GRI 302: Energy (2016)	103-1/2/3	Approach 302	92-94, 108-109	
	302-1	Energy consumption within the organisation	94	
	302-3	Energy intensity	94	
GRI 305: Emissions (2016)	103-1/2/3	Approach 305	92-93, 108-109	
	305-1	Direct (Scope 1) GHG emissions	93	
	305-2	Energy indirect (Scope 2) GHG emissions	93	
	305-3	Other indirect (Scope 3) GHG emissions	93	
GRI 306: Waste (2020)	103-1/2/3	Approach 306	96-97, 108-109	
	306-3	Waste by type and disposal method	96-97	
GRI 401: Employment (2016)	103-1/2/3	Approach 401	104-109	
	401-1	New employee hires and employee turnover	107	
GRI 406: Non-discrimination (2016)	103-1/2/3	Approach 406	104-105, 108-109	
	406-1	Incidents of discrimination and corrective actions taken	104-105	
GRI 414: Supplier social assessment (2016)	103-1/2/3	Approach 414	100-104, 108-109	
	414-2	Negative social impacts in the supply chain and actions taken	103	
GRI 416: Customer health and safety (2016)	103-1/2/3	Approach 416	106-107, 108-109	
	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 Chapter 6, Section 11 of the Swedish 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 conditions, employees, human rights and anti-corruption.

### Sustainability report index – Swedish Annual Accounts Act

The following shows where the requirements for sustainability information pursuant to the Swedish Annual Accounts Act are reported in this Annual and Sustainability Report.

Area	Disclosure	Page reference
General	– Business model	13
Environment	– Policy and environmental issues	84–87
	– Risks and their management regarding environmental issues	29–32, 98–99
	– Targets and results related to environmental issues	16, 92–99
Social conditions	– Policy and social issues	84–87
	– Risks and their management regarding social issues	29–32
	– Targets and results related to social issues	16, 100–107
Respect for human rights	– Policy and human rights	84–87
	– Risks and their management regarding human rights	29–32
	– Targets and results related to human rights	103–105
Anti-corruption	– Policy for anti-corruption efforts	84–87
	– Risks and their management regarding anti-corruption	29–32
	– Targets and results related to anti-corruption	104–105
EU Taxonomy Regulation	– Reporting in accordance with the EU Taxonomy Regulation	110

## Auditor's Limited Assurance Report on Axfood AB (publ)'s Sustainability Report and statement regarding the Statutory Sustainability Report

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

### Introduction

We have been engaged by the Board of Directors of Axfood AB (publ) to undertake a limited assurance engagement of the Axfood AB (publ) Sustainability Report for the year 2021. The Company has defined the scope of the Sustainability Report on page 84 in this document and the Statutory Sustainability Report on page 112.

### Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 112 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

### Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR 12 The auditor's opinion regarding

the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 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.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Axfood AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

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

### Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Stockholm 24 February 2022  
Deloitte AB

Hans Warén  
Authorized Public Accountant

Adrian Fintling  
Expert Member of FAR

SUSTAINABILITY PROGRAMME

## Axfood's 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 SDGs. Of the SDGs, Responsible consumption and production and Climate action are the most relevant for Axfood.

Axfood's sustainability programme is revised annually and is also available on the Group's website. New targets are added as the Group's sustainability work develops, and certain targets are replaced with new ones. The targets in the sustainability programme are arranged in accordance with the following areas – food, the environment and people.

### Selection of the UN SDGs

 <b>1</b> NO POVERTY	No poverty	 <b>7</b> AFFORDABLE AND CLEAN ENERGY	Affordable and clean energy	 <b>14</b> LIFE BELOW WATER	Life below water
 <b>3</b> GOOD HEALTH AND WELL-BEING	Good health and well-being	 <b>8</b> DECENT WORK AND ECONOMIC GROWTH	Decent work and economic growth	 <b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS	Peace, justice and strong institutions
 <b>4</b> QUALITY EDUCATION	Quality education	 <b>10</b> REDUCED INEQUALITIES	Reduced inequalities	 <b>17</b> PARTNERSHIPS FOR THE GOALS	Partnerships for the goals
 <b>5</b> GENDER EQUALITY	Gender equality	 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION	Responsible consumption and production		
 <b>6</b> CLEAN WATER AND SANITATION	Clean water and sanitation	 <b>13</b> CLIMATE ACTION	Climate action		

### 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



SUSTAINABILITY PROGRAMME

Food

No.	Sustainability targets	Link to Sweden's Environmental Objectives	Link to UN SDGs	Results and comments	Status
1	The share of sales of sustainability-labelled products (total of labels that improve the environment, health and/or social sustainability) is to amount to at 30% by 2025 at the latest.			The share of sales from sustainability-labelled products amounted to 28.1 percent, of which mainly organic products and products with the Green Keyhole marking. Additional measures are needed to increase the sales of organic products as well as fruit and vegetables.	●
2	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.			Several new products were launched within private label products and the stores had campaigns on for example fruits and vegetables.	●
3	Axfood is to 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.			Several guiding activities within different areas were completed. For example, the sixth edition of the report Mat 2030 was published, containing Axfood's proposals for a sustainable food strategy. Axfood participated actively in different industry gatherings and networks for sustainable development, several opinion pieces were published, and many new sustainability-labelled private label products were launched. Important industry-wide initiatives is "Färdplan kemikalier" (Roadmap Chemicals) and certification of Swedish beef (the Grund Nöt standard).	●
4	Food waste from Hemköp, Willys, Snabbgross and Dagab will be cut in half by 2025 at the latest (base year 2015).			Food waste decreased to 1.19% of total sales, a decline rate on track to reach the target for 2025.	●
5	Axfood is to promote more sustainable agriculture (including more biodiversity and reduced use of chemicals) by increasing the share of sales of organic food to 10% by 2025.			The share of sales of organic products decreased and amounted to 5.8%. Increased efforts are needed to increase the sales of organic fruits and vegetables as well as organic animal products.	●
6	The share of sales of KRAV-labelled meat within Hemköp is to amount to 10% by 2025. For other companies, the share of sales of KRAV-labelled meat is also to increase.			Hemköp's share of sales from KRAV-certified meat decreased to 6.0%, which is a good result in comparison to industry peers. Snabbgross' share increased while the share for Willys was lower. Additional efforts are needed to reach the target.	●
7	All suppliers of private label meat and meat products will meet the requirement for animal welfare certification or equivalent by 2025 at the latest.			Dagab works systematically with the demand for animal welfare certification and is following up on the progress made with a quality assurance system. In procurement processes demands are placed through general terms and conditions/the agreement. Efforts are needed to have the non-organic Swedish beef certified with the Grund Nöt standard.	●
8	Dagab will only use suppliers of private label products that actively promote reduced use of antibiotics according to industry consensus. These requirements are also to be communicated to suppliers of branded products.			Dagab is systematically addressing the antibiotics requirement, and monitoring is taking place through a quality assurance system. During procurement, the requirement is regulated in the general terms and conditions/agreement.	●
9	Private label organic meat and charcuterie products will be certified primarily according to KRAV, and secondarily according to the EU organic certification.			The target has been achieved and moved to the governance document "Guidelines for products."	●
10	Meat from pigs that are castrated without anaesthetics will be discontinued from Axfood's private label products by 2021.			Most of Axfood's suppliers fulfilled the requirement regarding unanaesthetised castration. Only a handful of products did not meet the requirement and will be followed up.	●
11	Axfood's store chains will sell only green-listed fish and shellfish products by 2022 at the latest.			86% of the private label seafood assortment was green-listed 2021.	●
12	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.			Information about the main ingredients' country of origin was provided for all private label products.	●

● Achieved ● In progress ● Target not achieved

SUSTAINABILITY PROGRAMME

Food, cont./The environment

No.	Sustainability targets: food (13–15), the environment (16–25)	Link to Sweden's Environmental Objectives	Link to UN SDGs	Results and comments	Status
13	Axfood's private label products will include information on the country of origin of meat ingredients.			Information about the country of origin of meat ingredients was provided for all private label products.	●
14	Hemköp's franchise stores will abide by sustainability decisions like the Group-owned stores.			Certain deviations from sustainability decisions occurred.	●
15	Willys will continue to offer the cheapest bag of organic groceries.			An external survey showed that Willys offers the cheapest bag of organic groceries in the market.	●
16	Axfood will have net zero emissions from its own operations by 2030 at the latest.			Total emissions from own operations amounted to 41,336 tonnes of CO <sub>2</sub> e. Scope 1 and 2 emissions and e-commerce transports (Scope 3) were climate compensated.	●
17	Dagab's vehicle fleet will gradually be differentiated to include more environmentally friendly solutions such as electricity, electric hybrids, biogas, ED95 and other sustainably produced biofuels. No vehicle type will make up more than half of the fleet by 2025 at the latest.			The fleet of vehicles is differentiated and includes a number of different types of vehicles that can be driven on various fuels. No single type of vehicle accounts for more than half of the total fleet.	●
18	Dagab will reduce CO <sub>2</sub> emissions from its own delivery fleet by 30% by 2025 (base year 2020).			To date, emissions have decreased by 8.6%. The semiconductor shortage posed a challenge in 2021, and Dagab has not received the new trucks it has ordered.	●
19	By 2025 at the latest, suppliers of private label products will have a publicly announced climate target of net zero emissions from their own operations (Scope 1 and 2) by 2030. Suppliers will also have at least one publicly announced climate target aimed at reducing the material climate footprint of their supply chain (Scope 3) by 2025 at the latest.			Work has commenced and, in partnership with Axfoundation, a new work approach is being developed with the aim of enabling suppliers to work toward zero emissions by 2023. The joint project has started and will be further developed in 2022.	●
20	All relevant suppliers (private label products and fruits and vegetables) that supply products with a large water footprint will use a recognised water standard or the equivalent by 2025 at the latest.			In 2021, a water procedure was adopted for products with a large water footprint. The procedure will be implemented in 2022.	●
21	Axfood will reduce its electricity consumption by 10% per square metre by 2025 (base year 2020). When newly establishing stores and warehouses, sustainability performance with respect to energy and choice of materials will maintain a high commercially available standard.			Electricity consumption declined by 3.1% in 2021.	●
22	Dagab's warehouse operations will reduce their electricity consumption by 10% in relation to sales by 2025 (base year 2020).			Electricity consumption declined by 6.7% in 2021.	●
23	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.			To date, solar panels have been installed on approximately 15% of store and warehouse rooftops that have been shown to be suitable.	●
24	For investments in store refrigeration systems, climate-friendly refrigerants will be used.			For investments in store and warehouse refrigeration systems, climate-friendly refrigerants are used.	●
25	Reduce the total use of plastics in the Group's operations by 25% by 2025 (base year 2019).			Where possible and appropriate, extensive efforts are being made to change to packaging containing less or no plastic.	●

● Achieved ● In progress ● Target not achieved

SUSTAINABILITY PROGRAMME

The environment, cont.

No.	Sustainability targets	Link to Sweden's Environmental Objectives	Link to UN SDGs	Results and comments	Status
26	By 2030, plastic packaging for Axfood's private label products will be made of renewable or recycled material.			An inventory of the material used in all packaging of private label products is under way. Packaging is continuously being replaced by more renewable and recyclable materials.	●
27	Axfood will have integrated elevated sustainability criteria for water and the chemical and carbon footprint of products in the procurement process, for example, by 2022 at the latest.			A new procedure has been adopted for addressing issues concerning water stress in fruit and vegetable farming. The issue of the Group's chemical and carbon footprint will require more time and will be prioritised in the future.	●
28	Transports of products by external transport companies by road from Dagab's logistics operations to one of Axfood's chains will be fossil-free by 2030. To support the Group's transition to fossil-free transports, a transport model has been developed to facilitate the procurement of fossil-free transports by 2030.			The transition agenda of individual transport operators is being followed up through audits and reporting carried out together with suppliers. Procurement materials are being developed for the new flows arising from the warehouse in Bålsta to determine which types of vehicles will yield the best results in its fossil-free transition.	●
29	Dagab will also conduct carbon footprint reporting for incoming transports to Dagab's warehouses by 2022 at the latest.			A model for reporting environmental impact of transports to Dagab has been developed and introduced. Several transport operators have started reporting their results. In 2022, the Group will ensure that all transport operators report their results in accordance with the model.	●
30	A plan for transitioning to biogas, electricity or electric hybrid operation for e-commerce will be drafted and take effect in 2021.			An overall transition plan has been established.	●
31	Cut the number of domestic flights in half by 2025 (base year 2019).			The share of air travel has decreased from 55% in 2019 to 33% in 2021.	●
32	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. Packaging for private label products will be recyclable by 2025.			Where possible, extensive efforts are being made to change to recyclable packaging. This is particularly challenging when it comes to products where layers of different types of plastic are used to increase their shelf life. It is also difficult to get correct information from suppliers.	●
33	Dagab will avoid SIN-listed chemicals in products and packaging (such as Bisphenol A). The goal is to be achieved by 2025. Axfood is working to promote the SIN list as the industry standard for chemical requirements.			Progress is being made on the existing assortment and new products. Other players in the food retail industry have declared their support of the guidelines in the Swedish Environmental Protection Agency's roadmap for the sustainable use of plastics.	●
34	By 2025 at the latest, Axfood's current requirements for integrated production (IP), Global GAP or another equivalent system for fruits and vegetables will also be met for its single-ingredient private label products.			50% of the suppliers and products in question have achieved the target to date.	●
35	All palm oil in Axfood's private label food products will be certified according to the RSPO. For other products, Axfood aims for all palm oil to be RSPO-certified. For products that are not certified, Axfood compensated by purchasing certificates. Suppliers of branded food products are to use certified palm oil, and suppliers of branded non-food products are to use certified palm oil or compensate by purchasing certificates.			Palm oil has been phased out in all private label food products where it was possible to switch to another equivalent ingredient. In non-food products, more time is required to develop and find products that contain certified palm oil. The palm oil used is RSPO-certified.	●
36	All soy used in private label products will either be certified or compensated for via certification offsets.			The requirement is communicated to relevant suppliers through general terms and conditions and agreements and is specified during procurement.	●
37	Axfood's companies will reduce the share of combustable residual products in relation to sales.			The share of incinerated waste in relation to sales is generally decreasing, with differences arising between companies.	●

● Achieved ● In progress ● Target not achieved

SUSTAINABILITY PROGRAMME

The environment, cont./People

No.	Sustainability targets: the environment (38–43), people (44–51)	Link to Sweden's Environmental Objectives	Link to UN SDGs	Results and comments	Status
38	Axfood and its chains will limit the assortment of fruits and vegetables transported by air. Customers will be able to receive information about which fruit and vegetable products have been transported by air. Axfood will promote an industry consensus on this matter.			Information about which product categories are transported by air during certain periods is presented on Axfood's and the store chains' websites.	●
39	Axfood will 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.			Continuous work is being carried out, with requirements regarding renewable ingredients included directly in the procurement of relevant products.	●
40	The energy efficiency of new IT products and office machines will be 15% higher than the ones they replace.			The target has been achieved and moved to "Guidelines for sustainable IT."	●
41	The Axfood Group will use ecolabelled office machines (computers, printers and copying machines) when such alternatives exist.			The target has been achieved and moved to "Guidelines for sustainable IT."	●
42	Axfood IT will use systematic tools to ensure a sustainable supply chain for selected, existing suppliers of services, hardware and software.			Efforts to develop a sustainability strategy for Axfood IT will be pursued further.	●
43	For all purchases of private label products in risk countries/risk categories, the selection process for suppliers will include sustainability aspects.			The selection process has been followed when making IT purchases but will be developed further in 2022.	●
44	By 2022 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 party to collective bargaining agreements with recognised union organisations.			New system support has significantly increased transparency and traceability in the global supply chain, enabling more sub-suppliers in risk countries to be linked to Axfood. Since approximately 50% of these sub-suppliers fulfilled the requirements, further measures will be taken in 2022.	●
45	By 2030, Axfood will, as far as possible, have established a living wage for products from prioritised countries where there is a large gap between minimum wage and living wage. Agricultural operations and Axfood's private label products will be top priorities.			Following the results of Oxfam's hotspot analysis, a decision was made to prioritise India, Peru and Morocco by implementing measures in the farming and manufacturing of single-ingredient products. An extra bonus was paid to rice farmers in Pakistan that significantly reduced the living wage gap.	●
46	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.			The ten countries with the largest living wage gaps were prioritised. In 2022, a plan will be established for single-ingredient products that will focus on primary activities to enable the right measures to be taken.	●
47	Axfood's rate of sickness-related absence is not to exceed 5.3%.			Sickness-related absence in 2021 amounted to 6.7%, which was higher than the target mainly due the Covid-19 pandemic.	●
48	Even gender breakdown among Axfood's senior executives, meaning that men and women will be represented within a range of 40–60%.			In 2021, the share of women in management positions was 32%. The Executive Committee had a fully even gender breakdown.	●
49	20% of Axfood's senior executives will come from an international background.			In 2021, the share of senior executives with an international background was 16%.	●
50	A minimum of 75% of Axfood's managers will be recruited internally.			81% (64) of Axfood's managers were recruited internally in 2021.	●
51	All employees will have completed obligatory sustainability training.			Approximately 34% of employees have completed the training to date. The companies with the highest share of employees who have completed the training are Willys and Eurocash.	●

● Achieved ● In progress ● Target not achieved



Corporate governance

# Sustainable, responsible and effective governance

## Important investments prepare Axfood for the future

**Well-functioning corporate governance is a prerequisite for creating trust and added value for shareholders and other stakeholders. The task of the Board of Directors is to ensure that the Group develops and grows sustainably and profitably in the long term, and makes a positive contribution to society. In 2021, Axfood consolidated its position by successfully developing its various concepts and carrying out structural transactions that leaves the Company better prepared to serve a changing market.**

Axfood is a competitive retail company with a strong position. But market developments impose significant demands on the Company's ability to change and create pressure to continuously challenge and develop. The past year may be the most eventful in Axfood's history. While changes in customer behaviour continued to be handled very well, several major structural changes were carried out or initiated to further strengthen the Company's competitiveness. During the year, the Board focused intensely on these areas and on the Group's long-term strategy.

The Group's underlying operations are strengthened through the acquisition of Bergendahls Food and the significant investments in the logistics platform, while the partnership with City Gross expands the Company's reach to the consumer. Axfood is continuing to develop its omnichannel strategy in e-commerce. At the same time, its position in pure-play online retail is being consolidated through its part ownership of Mathem. Combined, these structural transactions, logistics investments and the positive trend in e-commerce will enable improved profitability over time, which is reflected in Axfood's new and raised profitability target.

### Value-creating corporate governance

Axfood's size and reach present an opportunity to truly make a difference. Significant progress was made in sustainability during the year. I would like to particularly highlight the development of the assortment, with a growing focus on climate-friendly proteins through both internal product development and partnerships. The ambitious and comprehensive sustainability activities form a central and integrated part of the business model and the governance of the Company.

The Board is responsible for securing sound, value-adding corporate governance by ensuring that the Company has the right organisation in place. This in turn enables effective decision-making, a well-defined division of roles and responsibilities between management and control bodies, a high level of organisation with monitoring in the internal systems and internal

control over the financial reporting, and finally also openness and transparency toward the shareholders and the capital market. The Board's work is evaluated every year. The results of the evaluation were once again very positive.

### Continued strong financial position

Over the years, Axfood's strong financial position has created robustness and an ability to adapt the operations and invest for the future. The large operations – Willys, Hemköp, Dagab and Snabbgross – reported a stable financial performance, and innovation for the future is taking place in both the large and small companies in the Group. The Company is currently in an intense period of investment, and a rights issue is planned for 2022 to strengthen the balance sheet due to the acquisition of Bergendahls. At the same time, a favourable profitability trend during the year allows for stable returns to shareholders and the Board therefore proposes a dividend of SEK 7.75 per share to the Annual General Meeting.

My objective as Chairman of the Board is for all of Axfood's stakeholders to feel secure in the Board's contribution to the Company's governance and frameworks from which the Company can continue to develop in the best possible way – in the best interests of both its owners and customers.

I would like to thank you, our shareholders, for your trust and support and for your contributions to ensuring strong and sustainable operations.

Stockholm, February 2022

**Mia Brunell Livfors**  
*Chairman of the Board*



## Overarching corporate governance structure – governing bodies, rules and regulations

### Introduction

Axfood AB (publ) ("Axfood") is a Swedish limited liability company domiciled in Stockholm. Axfood's shares have been listed on Nasdaq Stockholm since 1997.

The Corporate Governance Report has been reviewed by the Company's auditor, Deloitte, and the results of this audit are described in the auditor's examination statement on page 127 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 (such as the Swedish Companies Act, the Swedish Annual Accounts Act, the EU Market Abuse Regulation and IFRS), the stock exchange rules in the regulated market where 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, which are mainly the Board's Rules of Procedure, the President's instructions as well as internal instructions, policies and guidelines. Internal rules and regulations are followed up annually and are revised as necessary.

### Sustainability governance

Sustainability efforts are an integral part of Axfood's business model and governance. Read more about the Group's sustainability efforts and how they are governed on pages 83–117.

### Swedish Corporate Governance Code

Axfood applies the Swedish Corporate Governance Code. There were no departures from the Code in 2021.

### Shareholders and shares

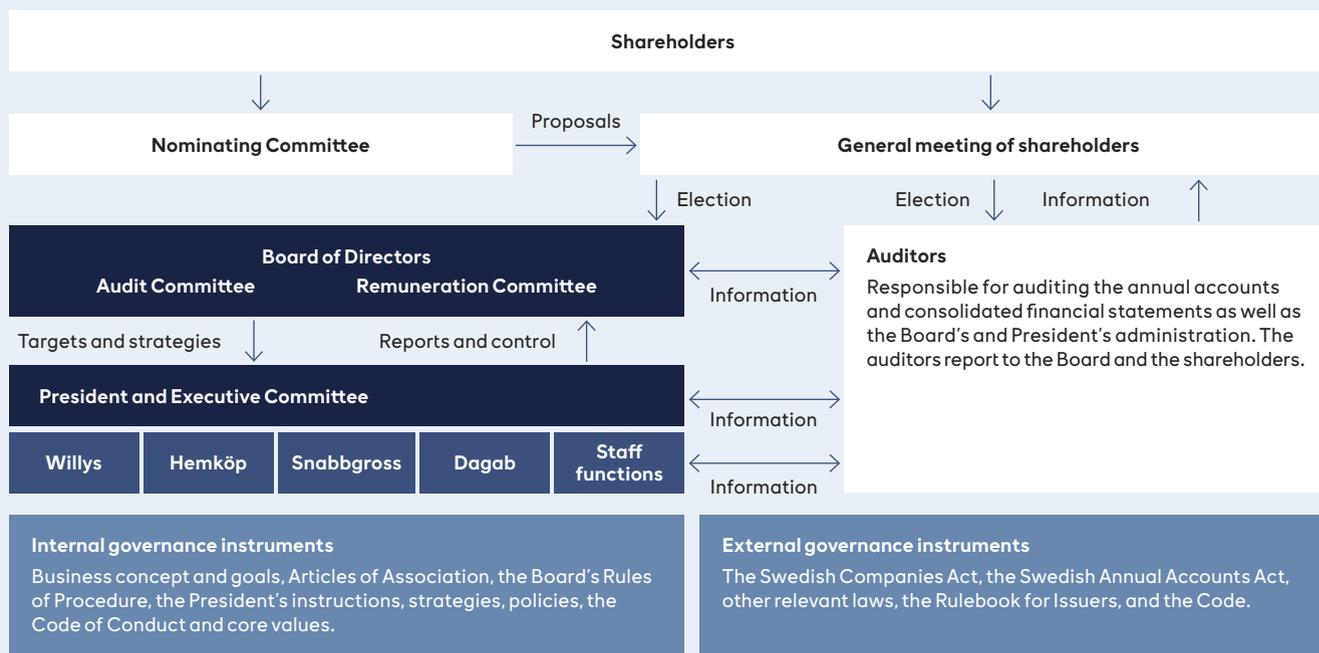
Axfood's shares have been traded on Nasdaq Stockholm's Large Cap list since 2006. The Company has 209,870,712 shares outstanding.

All shares have equal voting power and equal entitlement to the Company's profit. Provided that notification to attend the Annual General Meeting (AGM) has been issued in due order, every shareholder has the right to vote for all owned, directly registered and represented shares.

There are no stipulations in Axfood's Articles of Association that restrict a shareholder's right to transfer shares.

### Governance model

Decision-making and control of the Company is exercised by the shareholders, the Board of Directors, the President and the auditors in accordance with the Swedish Companies Act.



## GOVERNING BODIES, RULES AND REGULATIONS

As of 31 December 2021 Axfood had 97,249 shareholders. The largest single shareholder since the Company's listing has been the Axel Johnson Group, which controlled 50.1% of the shares and votes in the Company as of 31 December 2021 (unchanged since 2020).

During the year, Axfood repurchased 192,000 shares through a share repurchase programme to secure delivery of shares linked to the long-term share-based incentive programme and thereby owns a total of 765,980 treasury shares. The number of shares outstanding thereby amounts to 209,104,732.

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 135–136.

### General meeting of shareholders

The general meeting of shareholders is Axfood's highest decision-making body, where the shareholders exercise their right to decide on the Company's affairs.

The AGM resolves on, among other things, election of directors and the Chairman of the Board, adoption of the Parent Company's and consolidated income statements and balance sheets, discharge from liability of the directors and President, disposition of the Company's profit, and election of auditors (when applicable). No restrictions on shareholders' rights are stipulated in the Articles of Association or – to the Company's knowledge – in shareholder agreements.

### 2021 Annual General Meeting

The AGM was held in Stockholm on Wednesday, 24 March 2021. Due to the Covid-19 pandemic, the AGM was held through a postal voting procedure, meaning that shareholders did not physically participate in the Meeting. A total of 142,352,432 shares, corresponding to 68.08% of the number of votes in the Company, were represented via this postal voting procedure.

The AGM approved the following resolutions, among others:

- Ordinary dividend of SEK 7.50 per share for the 2020 financial year, to be paid out on two occasions in accordance with the Board's proposal.
- That the Board shall consist of seven AGM-elected directors with no deputy directors.
- That directors' fees shall be payable in the following amounts:
  - SEK 750,000 for the Chairman of the Board.
  - SEK 475,000 for each of the other AGM-elected directors who are non-executive directors, plus an additional SEK 150,000 for the Chairman 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 proposal:
    - Re-election of Mia Brunell Livfors as a director and as Chairman.
    - Re-election of directors Fabian Bengtsson, Caroline Berg, Christer Åberg, Stina Andersson and Christian Luiga.
    - Election of new director Peter Ruzicka.
  - Guidelines for appointment of the Nominating Committee, entailing that:
    - The Nominating Committee shall be composed of members of whom one is appointed by each of the four largest known shareholders in terms of votes based on ownership statistics from Euroclear Sweden AB as of 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. The Chairman of the Nominating Committee shall, unless otherwise agreed by the committee members, be the member appointed by the largest shareholder.
    - If material changes take place in the ownership structure after the Nominating Committee has been constituted, the Nominating Committee's composition shall also be changed, however not later than three months prior to the AGM.
    - The Nominating Committee's composition shall be made public not later than in connection with the 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, authorisation of the Board to decide on purchases of own shares and transfers of treasury shares.
- The complete minutes of the AGM are available on Axfood's website.

### Nominating Committee

The Nominating Committee is tasked with submitting proposals to the AGM on the number of directors, the Board's composition and 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, the 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. Directors may be a member of the Nominating Committee but may not comprise a majority of its members. The Nominating Committee's work is based on an annual evaluation of the Board's work, the Code's diversity policy and Axfood's Company-specific needs.

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 directors. 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 proposals are presented in the AGM notice. The proposal for the composition of the Board is also to be presented together with a reasoned statement posted on Axfood's website in connection with the publication of the AGM notice.

All shareholders have the right to submit proposals to the Nominating Committee by email at [valberedning@axfood.se](mailto:valberedning@axfood.se).

### Nominating Committee ahead of the 2022 AGM

A Nominating Committee was appointed in September 2021. The owners that are represented on the Nominating Committee, based on the ownership structure as of 31 August 2021, are Axel Johnson, Handelsbanken Fonder, Nordea Funds, and SEB 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 2022 AGM, the Nominating Committee held two meetings and also maintained regular contact and made one decision per capsulam. 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 of 31 Aug 2021, %
Marie Ehrling	Axel Johnson AB, Committee Chairman	50.1
Sussi Kvar	Handelsbanken Fonder	2.2
Jan Särilvik	Nordea Funds	1.7
Elisabet Jamal Bergström	SEB Fonder	1.0

### 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 AGM. The Articles of Association do not contain any other stipulations on the appointment or dismissal of directors.

## GOVERNING BODIES, RULES AND REGULATIONS

The Board is responsible for ensuring that the Company's organisation is suited for its purpose and that operations are conducted in accordance with the Articles of Association, the Swedish 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, notices, agendas and minutes of Board meetings, and the Board's work with accounting, auditing and remuneration 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 President'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 addressed.

The Board also adopts annual instructions for the President.

### Composition of the Board of Directors

Since the 2021, AGM Axfood's Board has been composed of seven AGM-elected directors with no deputy directors. 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 directors is provided on page 128.

Axfood's President and CEO, Klas Balkow, is not a director, but participates at Board meetings in a reporting role, as do Anders Lexmon, Axfood's CFO, and Sandra Brånstad, Axfood's General Counsel, who also serves as secretary to 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 four of the directors, Peter Ruzicka, Fabian Bengtsson, Christer Åberg and Christian Luiga, have been determined to have met the requirement for independence in relation to the major shareholders for all of 2021. 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 served as COO of Axel Johnson until 1 September 2021. For the period after 1 September 2021, Stina Andersson was determined to be independent in relation to both the Company and the Company's major shareholders.

## The Board's work in 2021

### First quarter

#### January

- Acquisitions and strategic discussions

#### February

- President's status report
- Results 2020
- Report from the auditors
- Matters ahead of AGM
- Year-end report
- Investment matters
- Acquisitions and strategic discussions
- Report from the Board's committees

#### March

- AGM
- Statutory Board meeting

### Second quarter

#### April

- President's status report
- Forecast update
- Q1 interim report
- Acquisitions and strategic discussions
- Rules of Procedure for the Board of Directors and its committees
- Group-wide policies and guidelines
- Composition of subsidiary Boards
- Investment matters
- Long-term share-based incentive programme 2021
- Succession planning
- Report from the Board's committees

#### May (extraordinary)

- Decision Bergendahls

#### June

- President's status report
- Strategy discussions
- Investment matters

### Third quarter

#### July

- President's status report
- Half-year interim report
- Report from the Board's committees

#### September

- President's status report
- Strategy discussions
- Investment matters
- Report from the Board's committees

### Fourth quarter

#### October

- President's status report
- Q3 interim report
- Forecast 2021
- Investment matters
- Report from the Board's committees

#### December

- President's status report
- Report from the auditors
- Strategic priorities and forecast 2022
- Yearly reports (internal control, whistleblower service, compliance, disputes, risks and insurance)
- Results of employee survey
- Board and President evaluation
- Investment matters
- Decision Mat.se/Mathem
- Report from the Board's committees

## GOVERNING BODIES, RULES AND REGULATIONS

### The Board's work in 2021

The Board held 14 meetings in 2021, of which two were held per capsulam (one to adopt the Annual Report and one to decide on investment matters) and one was the statutory meeting held immediately after the AGM. The President'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, rules of procedures were adopted for the Board, the Audit Committee and Remuneration Committee, 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 subsequently continued at the subsidiary level and in the Executive Committee, after which the Board adopted a business plan for 2022 in December. Other important business matters were the acquisition of Bergendahls Food and City Gross partnership, the future logistics structure, and the divestment of Mat.se and partnership with Mathem.

The Company's auditors attended the first Board meeting of the year to report on their audit of the annual accounts for the 2020 financial year. They also attended the last meeting of the year to inform on planning ahead of 2022 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. An overview of the Board's work for the year is also presented in the illustration on the prior page.

### Remuneration Committee

The Board has appointed a Remuneration Committee to deal with remuneration matters more in-depth. The Remuneration Committee is tasked with, among other things, setting salaries, variable remuneration 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 Remuneration Committee.

The Remuneration Committee is responsible for monitoring and evaluating the application of the guidelines for remuneration to senior executives adopted by the AGM. The Remuneration Committee is also responsible for drafting proposals for any share-based incentive programmes, deciding who

shall be invited to participate in these and making proposals to the Board on decisions to allot shares in such incentive programmes.

At the start of every year, the Remuneration Committee sets the targets that are to apply for variable remuneration for members of the Executive Committee, excluding the CEO. The committee is also tasked with monitoring and evaluating variable remuneration programmes for senior executives.

During 2021, the members of the Remuneration Committee were Mia Brunell Livfors (Committee Chairman), Caroline Berg and Peter Ruzicka. Axfood's President and CEO, Klas Balkow, is a co-opted member of the Remuneration Committee, and Axfood's Head of Human Resources, Monica Långbo, is committee secretary. During the year, the committee dealt with proposed guidelines for remuneration to senior executives as well as terms and the outcome of variable remuneration programmes for senior executives in the Group. The Remuneration Committee also drafted a proposal for the Board to introduce an additional long-term share-based incentive programme for key persons in Axfood. The Remuneration Committee held three meetings in 2021. No fees have been paid to committee members for their work on the Remuneration Committee.

### Audit Committee

The Board has also appointed an Audit Committee, which is tasked with, among other things, monitoring the efficiency of the Group's 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 examining and evaluating the external audit and the impartiality, independence, and performance of the auditors.

The Company's auditors attend the Audit Committee's meetings, during which the committee is informed about the focus and scope of the audit and the auditors' views of the Group's risks. The Audit Committee's assignment also includes setting guidelines for any services other than the audit that the Group may procure from the Company's auditors as well as monitoring the Group's work with internal control.

The Audit Committee's members in 2021 were Christian Luiga (Committee Chairman), Stina Andersson and Christer Åberg. Axfood's President and CEO, Klas Balkow, and Axfood's CFO, 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 Audit Committee reviewed the Group's work with risks and internal control. The Audit Committee held seven meetings in 2021. 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	Remuneration Committee	Audit Committee	Meeting attendance		
					Board	Remuneration Committee	Audit Committee
Mia Brunell Livfors (Chairman)	2016	No	Yes	–	14/14	3/3	–
Stina Andersson	2018	No	–	Yes	14/14	–	7/7
Fabian Bengtsson	2016	Yes	–	–	14/14	–	–
Caroline Berg	2014	No	Yes	–	14/14	3/3	–
Jesper Lien <sup>1)</sup>	2018	Yes	–	–	4/4	–	–
Christian Luiga	2020	Yes	–	Yes	14/14	–	7/7
Lars Olofsson <sup>1)</sup>	2013	Yes	Yes	–	4/4	1/3	–
Peter Ruzicka	2021	Yes	Yes	–	12/13 <sup>2)</sup>	2/3	–
Christer Åberg	2017	Yes	–	Yes	12/14	–	7/7
Anders Helsing (Employee representative)	–	–	–	–	14/14	–	–
Michael Sjöörn (Employee representative)	–	–	–	–	14/14	–	–
Lars Östberg (Employee representative)	–	–	–	–	13/14	–	–

1) Left the Board in connection with the AGM on 24 March 2021.

2) Of which two as co-opted member.

For information on directors' fees for 2021, see Note 8.

## GOVERNING BODIES, RULES AND REGULATIONS

### 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 2021, the Chairman of the Board, Mia Brunell Livfors, conducted a digital survey for all of the directors. The results, which showed high scores in all categories, indicate that there is a clear strategy and well-considered financial targets with a clear link to the Group's business plan, against which the operations are followed up. They also indicate a high level of engagement among the Company's directors. The results of this evaluation were reported to the Nominating Committee in October and to the Board in December 2021.

### Auditors

The auditors are elected by the AGM based on a proposal 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 auditors aside from the audit assignment shall only be provided in a scope that is compatible with the rules of the Swedish Auditors Act and FAR's professional ethics rules regarding auditors' impartiality and independence.

Hans Warén, Authorised Public Accountant and Chairman of Deloitte in Sweden, is chief auditor until the 2022 AGM. In addition to his assignment with Axfood, he is chief auditor for Industrivärden, SKF and Trelleborg.

### Executive Committee

The Executive Committee is made up of Axfood's President (who is also the CEO), four managing directors of subsidiaries that conduct business activities and five heads of staff.

The Executive Committee holds monthly meetings to address continuing matters and for discussions, and at least one annual strategy meeting. The store establishment and financing committee, which is linked to the Executive Committee, also meets once a month to address matters concerning store investments, sales of stores, new leases and renewals of existing leases.

An annual business plan is adopted by Axfood's Board at the end of the year after being drafted by the 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 page 129.

### Guidelines for remuneration to senior executives

The guidelines for remuneration to senior executives of Axfood were adopted by the AGM on 18 March 2020 based on a proposal by the Board of Directors and are to apply not longer than until the 2024 AGM.

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 remuneration decided on by the general meeting of shareholders, such as directors' fees or share-based incentive programmes. The guidelines are to be applied for remuneration that is agreed upon – and changes made to already agreed-upon remuneration – after the guidelines were adopted by the 2020 AGM.

The guidelines govern the decisions on remuneration that are made by the Board's Remuneration 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 remuneration 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. Remuneration may consist of a fixed base salary, short-term variable remuneration, 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 remuneration.

For a complete account of the adopted guidelines, see Note 8.

Every AGM since 2017 has resolved to introduce long-term incentive programmes covering long-term variable remuneration for the participants.

Short-term variable remuneration is expensed during the financial year and is paid out after the AGM has adopted the income statement and balance sheet. The guidelines adopted by the 2020 AGM have been followed, and all previously decided remuneration not yet paid out is within the framework described above.

### The Board's proposal for new guidelines for remuneration of members of the Executive Committee

Ahead of the 2022 AGM, no major changes are proposed to the principles for remuneration and other terms of employment for members of the Executive Committee. For a complete account of the guidelines, see Note 8.

## The Board's report on internal control over financial reporting

In accordance with the Swedish Companies Act and the Swedish Corporate Governance Code, the Board is responsible for ensuring that the Company has well-designed internal control and solid processes in place for determining that the Company's financial reporting is controlled in a satisfactory manner. Internal control at Axford is based on the COSO Internal Control Integrated Framework, which has been adapted to the operations. The framework comprises five integrated components:

- control environment
- risk assessment
- control activities
- information and communication
- monitoring

Axford's CFO has ultimate responsibility for ensuring that the work on and monitoring of the internal control are conducted in accordance with the method decided on by the Board. A steering committee under the direction of the CFO is responsible for this work. This steering committee reports its conclusions to the Board on a regular basis.

### Control environment

The control environment forms the basis of the internal control over financial reporting. It is important that decision-making channels, authorisations and responsibilities are clearly defined and communicated throughout the organisation. In addition, governance documents in the forms of internal policies, guidelines, manuals and handbooks are available to all employees. Axford's Board has established defined work processes and Rules of Procedure for its work and the work of its committees. For financial reporting, the Board has established an Audit Committee.

To create a solid foundation for internal control and to maintain a high standard in the Group, the Board has adopted a number of fundamental governance documents, including Rules of Procedure for the Board and President, a finance and credit policy, and a communication policy. In addition, the Board has ensured that the organisational structure lays out clear roles, responsibilities and processes that promote the effective management of risks in the business and also internal control, thereby enabling goal achievement.

Together with the internal control function, the steering committee works continuously on developing, adapting and improving Axford's control environment. The purpose of this is to maintain a control environment that is functional and effective, while also ensuring a high level of quality and reliability in the financial reporting.

### Risk assessment

Axford continuously evaluates the risks of errors in the financial reporting to ensure that they are managed. Risk analyses are carried out twice a year and, based on the results, the Board's Audit Committee evaluates and decides which risks are material to take into consideration in order to ensure reasonable internal control over financial reporting. For a more detailed description of risks and risk management, see pages 29–32.

### Control activities

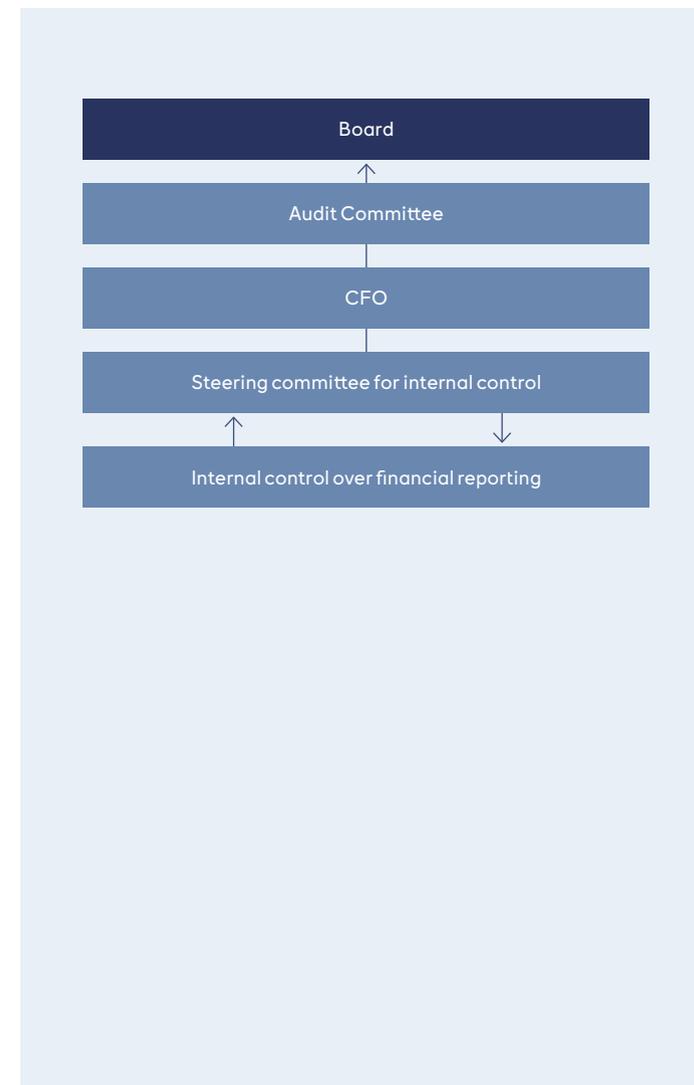
Axford's control activities derive from the most material risks that impact the financial reporting. These control activities are defined in Group-wide risk and control matrixes. The matrixes are specified by company and the steering committee defines the business-critical processes related to the financial reporting. There is also another Group-wide matrix that ensures compliance with policies.

The control activities are designed according to a structure aimed at detecting and preventing risks of errors in the reporting. This also ensures efficiency and reasonable control in all of the Group's processes related to the financial reporting. Examples of control activities include reconciliation of accounts, analyses of profit/loss items, inventory counts and user access reviews.

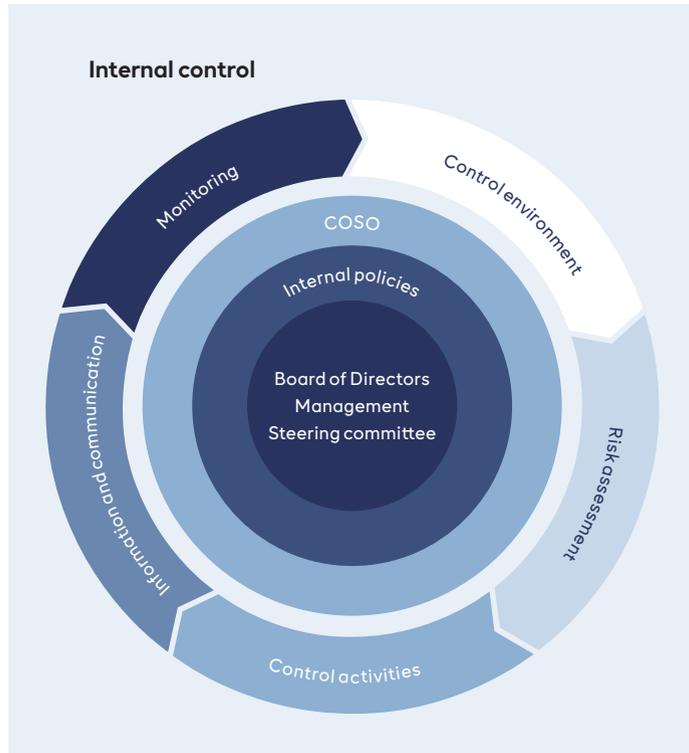
### Information and communication

All of Axford's governance documents are communicated via the Group's intranet in the Axekon financial manual. The financial manual is updated continuously according to changes in both internal and external requirements. Furthermore, the Audit Committee reviews governance documents such as the investment policy and finance and credit policy at least once a year.

Information and communication are to be carried out in accordance with the Group's communication structure and procedures as stated in Axford's communication policy. The policy contains guidelines for information disclosure regarding internal and external reporting of financial information. The policy is communicated via the financial manual.



## THE BOARD'S REPORT ON INTERNAL CONTROL



### Assessment of a separate audit function

Axford does not have a separate audit function, meaning an internal audit function. The Audit Committee and the Board have considered the matter of a separate audit function and concluded that the existing risk management structure and monitoring of internal control provide a satisfactory level of reliability. The Board evaluates the need for a separate audit function every year and its decision is noted in the minutes.

### Monitoring

The Board, through the Audit Committee, is responsible for the quality assurance of the Group's monitoring of the internal control over financial reporting. The internal control work, together with the auditors' audit, provides support to the Board and Executive Committee in assessing and identifying material risk areas in the financial reporting, so that they can thereafter assess which efforts and follow-up initiatives to employ in selected areas. Furthermore, the Group has a central risk management function that works through the companies. Axford does not have a separate audit function, since the functions described above fulfil this role.

The steering committee for internal control is responsible for monitoring the results and efficiency of the internal control, by using self-assessments. Any deviations are reported to the control owner and financial managers to remediate noted deficiencies. The results of the self-assessments and the outcome of the external audit are reported to the Audit Committee and the Board.

### Focus areas during the year

During the year, Axford recruited an internal control specialist to devote greater focus to adapting and developing the internal control. The process of monitoring and reporting has been expanded to include a more in-depth dialogue with control owners and companies to ensure efficiency in all processes.

Stockholm, 18 February 2022

*The Board of Directors of Axford AB*

## The Auditor's Examination of the Corporate Governance report

To the general meeting of the shareholders of Axfod 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 2021-01-01 – 2021-12-31 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 RevR 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 24 February 2022  
Deloitte AB

**Hans Warén**  
*Authorized public accountant*

## Board of Directors



### 1. Mia Brunell Livfors

Chairman of the Board

*Born:* 1965

*Other assignments:* Chairman of Axel Johnson International, Dustin Group, Kicks Kosmetikkedjan and Åhléns. Director of AxSol, Efva Attling Stockholm, Martin & Servera and Stena.

*Education:* Economics studies, Stockholm University.

*Current position:* President and CEO of Axel Johnson. *Professional experience:* Former President and CEO of Kinnevik, many years of experience from Board work with listed Swedish companies.

*Director since:* 2016 (Chairman since 2016)

*Committee membership:* Remuneration Committee Independent in relation to the Company and Executive Committee. Non-independent in relation to major shareholders of the Company.

*No. of Axfod shares:* 0

### 2. Stina Andersson

Director

*Born:* 1983

*Other assignments:* Director of Dustin Group, Fram Skandinavien, Clinic Friends and companies in the Bonnier Group.

*Education:* M.Sc. Business and Economics, Stockholm School of Economics; CEMS Master's in International Management, HEC Paris and Stockholm School of Economics. *Current position:* President of Bonnier Group.

*Professional experience:* COO of Axel Johnson, 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 at McKinsey.

*Director since:* 2018

*Committee membership:* Audit Committee.

Independent in relation to the Company and Executive Committee. Non-independent in relation to major shareholders of the Company until 1 September 2021. Independent in relation to major shareholders of the Company after 1 September 2021.

*No. of Axfod shares:* 0

### 3. Fabian Bengtsson

Director

*Born:* 1972

*Other assignments:* Chairman of SIBA Invest and the National Board of the Swedish Federation of Business Owners. Director of Netonnet, Översta Färdmedlingsbolaget AB, and Strawbees.

*Education:* B.Sc. Business and Economics, Lund University. *Current position:* CEO of SIBA Fastigheter.

*Professional experience:* Long record of experience in retail and digital trade, including as CEO of the SIBA Group, Chairman of Netonnet, and as a director/Chairman of CE-Konsumentelektronikbranschen.

*Director since:* 2016

Independent in relation to the Company and Executive Committee, and to major shareholders of the Company.

*No. of Axfod shares:* 7,050



### 4. Caroline Berg

Director

*Born:* 1968

*Other assignments:* Chairman of Axel Johnson and Martin & Servera. Vice Chairman of Nordstjärnan. Director of AxFast, Novax and the Future Work Forum. Also Chairman of the Erik and Göran Ennerfelt Foundation for International Studies for Young Swedes, the Global Village Foundation and the Axel and Margaret Ax:son Johnson Foundation.

*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.

*Director since:* 2014

*Committee membership:* Remuneration Committee Independent in relation to the Company and Executive Committee. Non-independent in relation to major shareholders of the Company.

*No. of Axfod shares:* 15,840

### 5. Christian Luiga

Director

*Born:* 1968

*Education:* Economics studies, Stockholm University. *Current position:* CFO and Deputy CEO at Saab AB. *Professional experience:* Executive Vice President, CFO and Head of Corporate Control at Telia Company, CFO of Teleca and Framfab.

*Director since:* 2020

*Committee membership:* Audit Committee.

Independent in relation to the Company and Executive Committee, and to major shareholders of the Company.

*No. of Axfod shares:* 3,000

### 6. Peter Ruzicka

Director

*Born:* 1964

*Other assignments:* Chairman of Pandora AS. Director of Royal Unibrew AS, AKA AS and Aspelin Ramm Gruppen AS.

*Education:* Bachelor in Business Administration and MBA, BI Norwegian Business School.

*Professional experience:* President and CEO of Orkla, President of Norwegian investment company Canica AS and Deputy CEO of ICA AB, etc.

*Director since:* 2021

*Committee membership:* Remuneration Committee Independent in relation to the Company and Executive Committee, and to major shareholders of the Company.

*No. of Axfod shares:* 0



### 7. Christer Åberg

Director

*Born:* 1966

*Other assignments:* Chairman of Kappa BioScience AS and Loviseberg AB. Director of Zoo.se.

*Education:* Bachelor's degree in marketing, IHM Business School Stockholm.

*Current position:* CEO of Zoo.se.

*Professional experience:* President and CEO of Food Folks AS/McDonalds Nordic, President and CEO Hilding Anders International, CEO Orkla Confectionery & Snacks, CEO Arla Foods, CEO Atria Scandinavia, various positions at Unilever.

*Director since:* 2017

*Committee membership:* Audit Committee.

Independent in relation to the Company and Executive Committee, and to major shareholders of the Company.

*No. of Axfod shares:* 4,800

### 8. Anders Helsing

Employee representative

*Born:* 1966

*Other assignments:* Employee representative for Axel Johnson and Axfod IT.

*Professional experience:* Axfod employee since 1998.

*Director since:* 2016

Non-independent in relation to the Company and Executive Committee.

*No. of Axfod shares:* 59

### 9. Michael Sjöström

Employee representative

*Born:* 1960

*Other assignments:* Employee representative for Snabbgross and Dagab Inköp & Logistik.

*Professional experience:* Axfod Group employee since 1995.

*Director since:* 2010

Non-independent in relation to the Company and Executive Committee.

*No. of Axfod shares:* 0

### 10. Lars Östberg

Employee representative

*Born:* 1968

*Other assignments:* Employee representative for Willys. *Professional experience:* Willys employee since 2002.

*Director since:* 2016, previously director 2009–2011.

Non-independent in relation to the Company and Executive Committee.

*No. of Axfod shares:* 0

Own and related parties' shareholdings,  
31 December 2021

## Executive Committee



**1. Klas Balkow**  
President and CEO, Axfod

*Born:* 1965  
*Employee since:* 2017  
*Other assignments:* Chairman of the Swedish Food Retailers Federation and director of the Swedish Trade Federation.  
*Education:* Upper-secondary school engineering, SSE Executive Education.  
*Professional experience:* CEO of Clas Ohlson, CEO of Aximage (previously a business area in Axel Johnson), senior positions with Procter & Gamble in the Nordic countries and the USA and in Bredbandsbolaget.  
*Member of Axfod's Executive Committee since:* 2017  
*No. of Axfod shares:* 45,858



**2. Thomas Evertsson**  
Managing Director, Willys

*Born:* 1964  
*Employee since:* 2008  
*Other assignments:* Chairman of Eurocash Food AB and Best Transport AB, Director of Julia AB, City Gross Sverige AB and Swedish Plastic Recycling i Motala AB.  
*Education:* M.Sc. Econ., School of Business, Economics and Law at the University of Gothenburg.  
*Professional experience:* Hypermarket Manager, Head of Chain Operations at Coop Supermarkets, President of Coop Sverige, Vice President of Coop Norden.  
*Member of Axfod's Executive Committee since:* 2008  
*No. of Axfod shares:* 20,677



**3. Karin Hedlund**  
Head of IT

*Born:* 1966  
*Employee since:* 2020  
*Education:* M. Sc. Mechanical Engineering, KTH Royal Institute of Technology, Stockholm.  
*Professional experience:* CIO at Lantmännen, Head of Project Delivery and Build & Deploy at Ericsson, Head of IT Development at Axfod, Senior Manager at Accenture.  
*Member of Axfod's Executive Committee since:* 2020  
*No. of Axfod shares:* 1,250



**4. Sara Kraft Westrell**  
Head of Corporate Communications

*Born:* 1974  
*Employee since:* 2018  
*Education:* M. Sc. Business Administration, Lund University and National University of Singapore.  
*Professional experience:* Director of Information at Clas Ohlson and Hexagon, Marketing and Communications Director at JB Education, Communications Adviser at Kreab and Brunswick.  
*Member of Axfod's Executive Committee since:* 2018  
*No. of Axfod shares:* 8,877



**5. Anders Lexmon**  
CFO

*Born:* 1968  
*Employee since:* 2002  
*Education:* M.Sc. Agricultural Economics and Management, Swedish University of Agricultural Sciences (SLU).  
*Professional experience:* Head of Financial Control at Axfod, Head of Group Accounting at Axfod, Head of Group Accounting at SJ, auditor at KPMG.  
*Member of Axfod's Executive Committee since:* 2017  
*No. of Axfod shares:* 12,011



**6. Monica Långbo**  
Head of Human Resources

*Born:* 1963  
*Employee since:* 2019  
*Education:* Executive MBA; upper-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 at Manpower Group, leadership and organisational consultant at her own firm.  
*Member of Axfod's Executive Committee since:* 2019  
*No. of Axfod shares:* 3,350



**7. Simone Margulies**  
Managing Director, Hemköpskedjan

*Born:* 1978  
*Employee since:* 2016  
*Education:* M. Sc. Mechanical Engineering, KTH Royal Institute of Technology, Stockholm.  
*Professional experience:* Deputy Managing Director of Dagab Inköp & Logistik, Business Area Manager at Dagab, Business Area Manager at ICA Sweden, Analyst Manager at ICA Sweden, Supply Chain Development at ABB.  
*Member of Axfod's Executive Committee since:* 2020  
*No. of Axfod shares:* 3,026



**8. Eva Pettersson**  
Managing Director, Snabbgross

*Born:* 1966  
*Employee since:* 2004  
*Education:* M.Sc. Econ., Linköping University; studies at the University of East Anglia. Management training at Novare.  
*Professional experience:* Managing Director of Axfod Närlivs; Head of Business Development, Dagab; Systems Manager, Axfod IT; food retailing consultant, Accenture.  
*Member of Axfod's Executive Committee since:* 2014  
*No. of Axfod shares:* 13,850



**9. Nicholas Pettersson**  
Managing Director, Dagab Inköp & Logistik

*Born:* 1976  
*Employee since:* 2004  
*Other assignments:* Chairman of Hall Miba.  
*Education:* M. Sc. Econ., Växjö University.  
*Professional experience:* Managing Director of Axfod Närlivs, Market Manager at Axfod Närlivs, Business Area Manager at Snabbgross, Supply Chain Manager at Svenska Shell, Business Analyst at Shell Detaljist.  
*Member of Axfod's Executive Committee since:* 2009  
*No. of Axfod shares:* 11,177



**10. Carl Stenbeck**  
Head of Strategy and Business Development

*Born:* 1979  
*Employee since:* 2018  
*Other assignments:* Chairman of Urban Deli. 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 at H&M, management consultant at Boston Consulting Group and Accenture, Programme Manager at Papyrus.  
*Member of Axfod's Executive Committee since:* 2018  
*No. of Axfod shares:* 7,627

**Sandra Brånstad**  
General Counsel, became member of the Executive Committee on 1 February 2022.

*Born:* 1975  
*Employee since:* 2018  
*Other assignments:* Director of Ortala AB and Pensan AB.  
*Education:* Master of Laws (LL. M.), Stockholm University.  
*Professional experience:* Lawyer, most recently as partner and director of Ramberg Advokater.  
*Member of Axfod's Executive Committee since:* 2022  
*No. of Axfod shares:* 5,976

Own and related parties' shareholdings,  
31 December 2021

# Other information



# Definitions and glossary

## Financial key ratios

In addition to the financial key ratios prepared in accordance with IFRS, Axfood presents financial key ratios that are not defined by IFRS or by the Swedish Annual Accounts Act, so-called alternative performance measures (APMs). These 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. The APMs are defined below under the financial key ratio definitions.

Some APMs are also reported excluding IFRS 16 to enable a follow-up of operational development excluding the technical accounting effects as a result of IFRS 16. Some APMs are also reported excluding items affecting comparability since the adjusted performance measure provides a better understanding of the operations' underlying development when comparing between periods.

## Reconciliation of EBITDA

SEK m	2021	2020
<b>Operating profit (EBIT)</b>	<b>2,704</b>	<b>2,510</b>
Depreciation, amortisation/Impairment	2,399	2,252
<b>EBITDA</b>	<b>5,103</b>	<b>4,762</b>
IFRS 16 Lease fees	-1,702	-1,617
<b>EBITDA excluding IFRS 16</b>	<b>3,401</b>	<b>3,145</b>

## Financial key ratio definitions

**Capital employed:** Total assets less non-interest-bearing liabilities and non-interest-bearing provisions. Measures the Group's capital use and efficiency.

**Cash flow from operating activities per share:** Cash flow from operating activities for the period divided by the average number of shares outstanding before dilution. Indicates cash flow generated from operating activities.

**Cash flow per share:** Cash flow for the period divided by the average number of shares outstanding before dilution. Indicates cash flow generated per share.

**Earnings per share (defined in IFRS):** Net profit for the year attributable to owners of the parent divided by the average number of shares outstanding. Reported both before and after dilution. Earnings per share are also reported based on earnings excluding items affecting comparability.

**EBITDA:** Operating profit before depreciation, amortisation and impairment. Also reported excluding the effects of reporting in accordance with IFRS 16. Indicates the underlying development of the operations.

**Equity per share:** Share of equity attributable to owners of the parent divided by the number of shares outstanding at the end of the period. Indicates shareholders' share of the Company's total equity per share.

**Equity ratio:** Equity including non-controlling interests as a percentage of total assets. An equity ratio of at least 20% at year-end is one of Axfood's Group-wide strategic targets.

**Items affecting comparability:** Financial effects in connection with major acquisitions and divestments or other major structural changes as well as material non-recurring items that are relevant in order to understand the results when comparing between periods.

**Net debt/EBITDA:** Net debt divided by EBITDA on a rolling 12-month basis. Also reported excluding the effects of reporting in accordance with IFRS 16. Indicates the Group's ability to pay its debt.

**Net debt-equity ratio/net receivable-equity ratio:** Net debt/net receivable divided by equity including non-controlling interests. Also reported excluding the effects of reporting in accordance with IFRS 16. Indicates the Company's debt-equity ratio.

**Net debt/net receivable:** Interest-bearing non-current and current receivables and liabilities less cash and cash equivalents and interest-bearing financial assets. Used to show the Company's net interest-bearing assets and liabilities.

**Net debt/net receivable excluding IFRS 16:** Interest-bearing non-current and current receivables and liabilities, excluding lease liabilities, less cash and cash equivalents and interest-bearing financial assets.

**Operating margin:** Operating profit as a percentage of net sales for the period. An operating margin of at least 4.5% is one of Axfood's strategic Group-wide targets.

**Operating margin excluding items affecting comparability:** Operating profit excluding items affecting comparability as a percentage of net sales for the period. Also referred to as adjusted operating margin.

**Operating profit:** Profit before net financial items and tax. Indicates profitability for operating activities.

**Operating profit excluding items affecting comparability:** Profit before net financial items and tax adjusted for items affecting comparability. Also referred to as adjusted operating profit.

**Return on capital employed:** Profit after financial items, plus financial expenses as a percentage of average capital employed. Indicates profitability in both equity and borrowed capital in the Company.

**Return on equity:** Net profit for the year attributable to owners of the parent as a percentage of the share of average equity attributable to owners of the parent. Indicates the return that owners receive on capital invested.

**Sales growth:** Percentage change in sales between two periods. Axfood reports both store sales growth and net sales growth. One of Axfood's Group-wide strategic targets is to grow faster than the market and store sales is the target used to measure this.

## DEFINITIONS AND GLOSSARY

### Operating key ratio definitions and glossary

**Average number of employees:** Total number of hours worked divided by the number of hours worked per year of 1,920. Also referred to as FTEs.

**Axfood Group:** Group-owned stores and Hemköp franchise stores.

**Axfood Group store sales:** Reported store sales in Willys and Hemköp stores including Hemköp franchise stores and e-commerce and excluding accounting adjustments mainly attributable to customer bonuses.

**Delivery reliability:** Share of delivered goods in relation the share of ordered goods.

**Dividend payout, %:** Dividend per share divided by earnings per share before dilution.

**Dividend yield:** Dividend per share divided by the share price at year-end.

**Growth in store sales:** Percentage change in the Axfood Group's store sales between two periods.

**Joint-Group:** Includes head office support functions, such as the Executive Committee, Finance/Accounting, Legal, Communications, Business Development, HR and IT.

**Inventory turnover rate:** The cost of delivered goods divided by the average inventory value.

**Like-for-like sales:** Sales for stores that existed and generated sales in the comparison period, broken down into Group-owned and franchise stores.

**Market capitalisation:** Share price at year-end multiplied by the number of shares outstanding.

**P/E ratio:** Share price in relation to earnings per share before dilution.

**Private label share:** Sales of private-label products, excluding meat, fruits and vegetables, as a percentage of the Axfood Group's store 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.

**Sales, Group-owned retail operations:** Sales for Willys and Hemköp stores owned by Axfood.

**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.

### Sustainability glossary

**Amfori Business Social Compliance Initiative (BSCI):** European network for social audits of suppliers.

**Aquaculture Stewardship Council (ASC):** International organisation that promotes ecolabels for farmed fish and shellfish. The ASC reviews environmental and social topics in fish and shellfish farming. The standard is supported by the WWF and products with its certification are automatically green-listed.

**Ethical Trading Initiative (ETI):** Initiative that gathers companies, unions, civil society and public institutions to secure good working conditions and human rights in global supply chains.

**Fairtrade:** Product label for goods that aim to improve working and living conditions for farmers and workers in developing countries. The label means that the product meets the international criteria.

**Forest Stewardship Council (FSC):** Independent international organisation that advocates for a more environmentally adapted, socially responsible and economically sustainable use of the world's forests through a certification system.

**Global Food Safety Initiative (GFSI):** A business-led initiative for constant improvement in management systems for health and food safety.

**Global Compact:** The UN's initiative to encourage companies to support developments within human rights, working conditions and the environment.

**Global Deal:** Declaration of undertakings that will help the world's countries reach the UN Sustainable Development Goals pertaining to working conditions, economic growth and gender equality.

**Global Reporting Initiative (GRI):** Standard with guidelines for sustainability reporting. The guidelines are based on principles and indicators that organisations use to measure and report their sustainability work.

**Greenhouse Gas Protocol (GHG):** Global standard to calculate, handle and report emissions of greenhouse gases.

**IP Sigill:** Standard for certification of a more sustainable production of food and flowers based on criteria including food safety, animal welfare, environmental responsibility and working conditions.

**Marine Stewardship Council (MSC):** International organisation that promotes ecolabels for fish and shellfish. The label shows that the fish come from viable stocks and have been caught with a low impact on the environment.

**Roundtable on Sustainable Palm Oil (RSPO):** Organisation that stipulates criteria for sustainably produced palm oil with regards to for example the preservation of forest areas with particularly sensitive ecosystems and use of pesticides.

**Science Based Targets initiative (SBTi):** Organisation that assists companies in setting climate targets in line with the Paris agreement to limit emissions of greenhouse gases and global warming.

**Substitute it Now (SIN):** Database of particularly hazardous substances that are not yet covered by legislation.

# Ten-year overview

Respective year is presented in accordance with the applicable accounting standards for that year. Previous years are not restated when new accounting standards are applied unless otherwise stated.

SEK m	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Result of operations</b>										
Net sales	57,891	53,696	50,740	48,085	45,968	43,355	41,247	38,484	37,522	36,306
Operating profit	2,704	2,510	2,288	2,025	1,886	1,902	1,760	1,447	1,302	1,200
Profit after financial items	2,582	2,394	2,173	2,016	1,881	1,894	1,749	1,430	1,278	1,162
Tax	-488	-531	-494	-439	-414	-421	-388	-326	-285	-260
<b>Net profit for the year</b>	<b>2,094</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>Financial position</b>										
Intangible assets	5,295	3,519	3,472	3,449	3,388	2,478	2,528	2,536	2,645	2,642
Property, plant and equipment	3,815	2,912	2,744	2,202	2,032	1,799	1,930	1,894	1,916	1,820
Right-of-use assets	6,384	5,656	5,407	-	-	-	-	-	-	-
Financial and other assets	731	286	259	168	215	199	155	134	96	83
Inventories and other current assets	6,772	4,906	4,614	4,750	4,458	4,337	3,991	4,019	3,815	3,754
Cash and cash equivalents and assets held for sale	734	1,534	798	1,675	1,376	1,726	1,933	1,109	457	521
<b>Assets</b>	<b>23,731</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>
Equity	4,952	4,331	4,020	4,304	4,266	4,117	4,530	4,029	3,768	3,398
Non-controlling interests	224	232	229	224	212	1	1	36	34	28
Lease liabilities	6,404	5,708	5,509	-	-	-	-	-	-	-
Other interest-bearing liabilities and provisions	1,971	403	421	524	528	498	504	585	535	861
Other liabilities	10,181	8,139	7,115	7,192	6,463	5,923	5,502	5,042	4,592	4,533
<b>Equity and liabilities</b>	<b>23,731</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>Cash flow</b>										
Cash flow from operating activities	4,590	4,851	3,555	2,702	2,534	2,241	2,495	2,029	1,596	1,915
Cash flow from investing activities	-3,842	-1,080	-1,386	-992	-1,500	-559	-751	-582	-718	-816
Cash flow from financing activities	-1,548	-3,036	-2,943	-1,515	-1,384	-1,889	-920	-795	-942	-895
<b>Cash flow for the year</b>	<b>-800</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>

## TEN-YEAR OVERVIEW

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Key ratios</b>										
Operating margin, %	4.7	4.7	4.5	4.2	4.1	4.4	4.3	3.8	3.5	3.3
Equity ratio, %	21.8	24.3	24.6	37.0	39.0	39.1	43.0	41.9	42.6	38.8
Net debt (+)/net receivable (-), SEK m	7,640	4,577	5,131	-	-	-	-	-	-	-
Net debt (+)/net receivable (-) excl. IFRS 16, SEK m	1,236	-1,131	-377	-1,047	-871	-1,249	-1,449	-524	78	340
Net debt/EBITDA, multiple	1.5	1.0	1.2	-	-	-	-	-	-	-
Net debt/EBITDA excl. IFRS 16, multiple	0.4	-0.4	-0.1	-0.4	-0.3	-0.5	-0.6	-0.2	0.0	0.2
Net debt-equity ratio (+)/net receivable-equity ratio (-), multiple	1.5	1.0	1.2	-	-	-	-	-	-	-
Net debt-equity ratio (+)/net receivable-equity ratio (-) excl. IFRS 16, multiple	0.2	-0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.1	0.0	0.1
Capital employed, SEK m	13,550	10,674	10,178	5,052	5,006	4,616	5,035	4,650	4,337	4,288
Return on capital employed, %	22.4	24.2	30.1	40.4	39.4	39.5	36.5	32.4	30.3	28.2
Return on equity, %	46.3	45.7	39.6	36.2	34.9	34.1	31.8	28.1	27.5	27.2
Average number of employees during the year	12,202	11,451	10,854	10,215	9,903	9,211	8,803	8,481	8,285	8,021
Total capital expenditures, SEK m	3,565	2,755	2,452	1,021	1,934	580	764	643	806	932
Investments in intangible assets and in property, plant and equipment, SEK m	1,825	1,031	1,481	1,021	1,934	580	764	643	806	932
Depreciation/amortisation, SEK m	2,399	2,252	2,146	760	744	719	696	693	667	632
Number of shares outstanding at end of period	209,104,732	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
<b>Key data per share</b>										
Earnings per share before dilution, SEK <sup>1)</sup>	10.28	9.12	7.87	7.41	6.98	7.02	6.48	5.22	4.70	4.30
Earnings per share after dilution, SEK <sup>1)</sup>	10.24	9.09	7.85	7.40	6.98	7.02	6.48	5.22	4.70	4.30
Ordinary dividend per share, SEK <sup>1)</sup>	7.75 <sup>2)</sup>	7.50	7.25	7.00	7.00	6.00	5.00	4.25	3.75	3.00
Extra dividend per share, SEK	-	-	-	-	-	-	4.00	-	-	-
Equity per share, SEK <sup>1)</sup>	23.68	20.70	19.21	20.54	20.35	19.62	21.58	19.20	17.96	16.19
Cash flow per share, SEK <sup>1)</sup>	-3.82	3.51	-3.70	0.93	-1.67	-0.99	3.93	3.11	-0.30	0.97
Cash flow from operating activities per share, SEK <sup>1)</sup>	21.95	23.18	16.98	12.89	12.08	10.68	11.89	9.67	7.60	9.12

1) In 2015, Axfood carried out a 4:1 share split. The number of shares after the split is 209,870,712. Comparison figures have been adjusted.

2) Proposed by the Board of Directors.

# The share and ownership structure

LISTING: NASDAQ STOCKHOLM, LARGE CAP

TICKER: AXFO

MARKET CAP AT YEAR-END: SEK 55 BILLION

NUMBER OF SHARES: 209,870,712

ISIN: SE0006993770

Axfod's shares are listed on Nasdaq Stockholm. The share capital as of 31 December 2021 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 102.3 million (135.6) Axfod shares were traded in all marketplaces in 2021, with an average daily trading volume of 414,291 shares (538,209). Trading on Nasdaq Stockholm accounted for 75% (78) of the total trading volume in Axfod shares. The average turnover rate for Axfod shares on Nasdaq Stockholm was 41% (50), compared with 61% (70) for Nasdaq Stockholm. The total average turnover rate for Axfod shares, based on trading in all marketplaces, was 49% (65).

## Share performance and market capitalisation

Based on the closing share price on 31 December 2021, SEK 260.40, the Group's market capitalisation was SEK 54,650 m (40,253). The share price increased by 36% during the year, while the total index (OMXSPI) gained 35%. The total return for Axfod's shares in 2021 including reinvested dividends increased 41%. The highest closing price quoted during the year was SEK 260.40 on 30 December. The lowest closing price quoted during the year was SEK 192.70 on 5 January.

## Ownership structure

The number of shareholders in 2021 increased to 97,249 at year-end (80,342). 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 Axfod (votes and capital). Axel Johnson's shareholding was unchanged in 2021. Foreign ownership at year-end corresponded to 22.7% of the share capital, a decrease of -2.0 percentage points compared with the previous year. Of Swedish ownership, 77.3%, institutions accounted for 11.9%, private persons for 12.4%, and other Swedish owners for 2.5%. The largest foreign ownership is in the US, Norway, Finland and France.

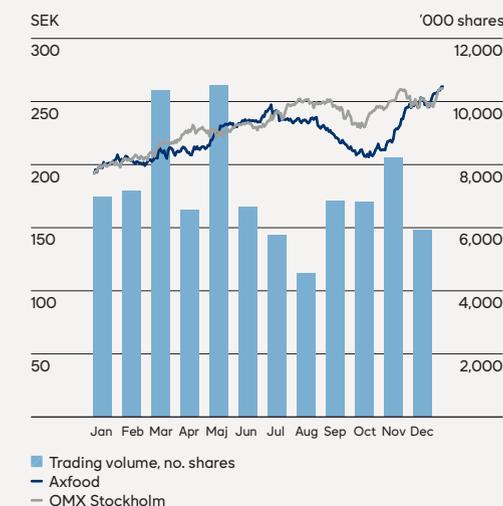
## Dividend

The Board of Directors recommends that the AGM resolve in favour of an increased dividend for the 2021 financial year of SEK 7.75 per share (7.50), corresponding to 75% of profit for the year. During the last five years, the ordinary dividend has averaged 89% of profit after tax.

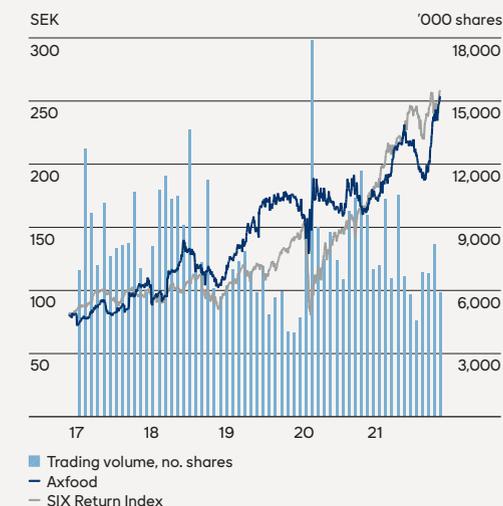
## Share repurchases

To secure delivery of shares linked to Axfod's long-term share-based incentive programmes, Axfod conducts share repurchases. At year-end, Axfod's holding of treasury shares amounted to 765,980 shares, corresponding to 0.4% of the total number of shares. More information about Axfod's share repurchase programmes is provided in Note 8.

Axfod share price and trading volume, 2021



Total return, Axfod share, index



## THE SHARE AND OWNERSHIP STRUCTURE

## Breakdown of ownership, 31 December 2021

Size class	No. shareholders	Shareholders, %	No. of shares	Share of votes and capital, %
1–500	87,617	90.1	6,503,526	3.1
501–1,000	4,900	5.0	3,908,752	1.9
1,001–5,000	3,807	3.9	8,299,017	4.0
5,001–10,000	462	0.5	3,351,962	1.6
10,001–20,000	173	0.2	2,539,361	1.2
20,001–	290	0.3	185,268,094	88.3
<b>Total</b>	<b>97,249</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 2021. Totals may be affected by rounding.

## Ten largest shareholders at 31 December 2021

Name	No. of shares	Capital and votes, %
Ax:son Johnson (family and companies)	105,120,264	50.1
Odin Fonder	5,920,602	2.8
Handelsbanken Fonder och Liv	5,030,451	2.4
Nordea Fonder	4,397,355	2.1
Vanguard	3,316,490	1.6
Ninety One	2,283,601	1.1
Swedbank Robur Fonder	2,275,953	1.1
SEB Fonder och Liv	2,102,491	1.0
AMF Pension och Fonder	2,044,273	1.0
Göran Sax	1,807,508	0.9
<b>Total</b>	<b>137,063,417</b>	<b>65.3</b>
Others	72,807,295	34.7
<b>Total</b>	<b>209,870,712</b>	<b>100.0</b>

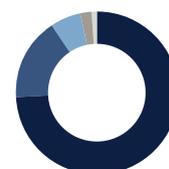
Source: Monitor by Modular Finance AB, with data from various sources, including Euroclear Sweden AB and Morningstar as of 31 December 2021. Totals may be affected by rounding.

## Key data per share

Amounts in SEK	2021	2020	2019	2018	2017
Ordinary dividend	7.75 <sup>1)</sup>	7.50	7.25	7.00	7.00
Dividend payout, %	75.4 <sup>1)</sup>	82.2	92.1	94.4	100.0
Number of shares outstanding	209,104,732	209,198,604	209,298,712	209,494,712	209,676,712
Share price at year-end	260.40	191.80	208.40	151.70	158.10
Market capitalisation at year-end, SEK m	54,650	40,253	43,737	31,837	33,181
Highest/lowest closing share price	260.40/192.70	217.60/168.40	212.50/151.90	185.70/140.20	161.00/133.30
Dividend yield, %	3.0 <sup>1)</sup>	3.9	3.5	4.6	4.4
Earnings per share before dilution	10.28	9.12	7.87	7.41	6.98
Equity per share	23.68	20.70	19.21	20.54	20.35
P/E ratio	25.3	21.0	26.5	20.5	22.7
Turnover rate, %	41	50	34	50	45
Volatility, standard deviation, %	14.7	27.6	19.1	21.4	16.0
Beta	0.27	0.23	0.39	0.42	0.41
Number of shareholders	97,249	80,342	61,592	52,202	49,292

1) Proposed by the Board of Directors.

## Trading volume for Axfood shares on various marketplaces



- Nasdaq Stockholm, 74.2%
- CBOE, 16.5%
- Aquis, 6.1%
- London Stock Exchange, 2.1%
- Other, 1.0%

## Geographic distribution of shareholders



- Sweden, 77.3%
- USA, 4.6%
- Norway, 3.5%
- Finland, 2.5%
- France, 1.8%
- Other, 5.0%
- Anonymous ownership, 5.3%

## Breakdown of ownership



- Swedish private persons, 12.4%
- Swedish institutions, 11.9%
- Other Swedish owners, 52.6%
- Foreign institutions, 17.2%
- Other and anonymous ownership, 5.9%

Source: Monitor by Modular Finance AB, with data from various sources, including Euroclear Sweden AB and Morningstar as of 31 December 2021. Totals may be affected by rounding.

# Shareholder information

## Axfod's website

Axfod's website, axfood.se, provides information for the capital market and other stakeholders. It provides current as well as historical information about, for example, 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 Axfod's shares over time. Press releases, presentations, financial reports and information about the AGM are posted on the website. A service is provided that enables interested parties to subscribe for press releases and financial reports via email.

## Financial statements

Axfod's financial reports are available from the Company's website, which also includes an archive of financial reports since 2000, the year in which Axfod was established. The financial reports are only distributed in digital format via the website. Stakeholders can subscribe for financial reports via email through the subscription service that Axfod provides. Conference calls are held in English in connection with publication of Axfod's interim reports and year-end reports.

## IR activities

The aim of Axfod'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 institutional investors and analysts, a dialogue is maintained and continuous information is provided. Presentations are made during conferences and meetings, usually in connection with the publication of interim reports and year-end reports. A few topics that were of particular interest for investors and analysts in 2021 included the extent to which the Company's various operations have developed and continually adapted in accordance with the societal changes that have resulted from the Covid-19 pandemic, acquisitions and divestments, the Group's new logistics platform and investments in automation, the digital customer meeting and development in e-commerce, and the Group's continuing work with sustainability.

Axfod is also engaged in a continuous dialogue with non-institutional shareholders. For example, presentations are held during events organised by the Swedish Shareholders Association, an independent organisation for private persons who invest in shares, mutual funds and other types of equity-based securities. During the year, Axfod participated in virtual meetings for Unga Aktiesparare (Young Shareholders).

## Analysts who cover Axfod

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

## Financial calendar 2022

**15 March**  
Record date for 2022 AGM

**23 March**  
AGM

**24 March**  
Ex-dividend date

**25 March**  
Proposed record date for payment of dividend

**30 March**  
Proposed date for payment of dividend

**21 April**  
Interim report January–March

**29 April**  
Publication prospectus rights issue

**3 May**  
Record date rights issue

**5–23 May**  
Subscription period rights issue

**25 May**  
Settlement date rights issue

**15 July**  
Interim report January–June

**22 September**  
Ex-dividend date

**23 September**  
Proposed record date for payment of dividend

**28 September**  
Proposed date for payment of dividend

**20 October**  
Interim report January–September

## Contact

Head of Investor Relations  
Alexander Bergendorf  
Tel: +46 73 049 18 44  
alexander.bergendorf@axfood.se



# 2022 Annual General Meeting

The Annual General Meeting (AGM) of Axfood AB (publ) will be held on 23 March 2022. Due to the Covid-19 pandemic, the AGM will be conducted through a postal voting procedure according to the Act on Temporary Exceptions to Facilitate the Conducting of Company and Association General Meetings (prop. 2021/22:112) which is expected to come into force on 1 March 2022. This entails that no shareholders or representatives will attend the AGM in person. Instead, shareholders will participate in the AGM by voting and submitting any questions in advance. More information is presented in the AGM notice.

## Notification

Shareholders who wish to participate in the AGM must notify the Company by submitting their postal votes in accordance with the instructions included in the notice under the heading "Postal votes" so that their postal votes have been received by Euroclear Sweden AB not later than 22 March. Note that notifications of participation in the AGM may only be done through postal voting.

## 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 15 March, and must notify the Company of their intention to participate in the AGM by postal voting not later than 22 March. Shareholders whose shares are registered in the name of a nominee must, in addition to notifying the Company of their participation in the AGM, temporarily re-register their shares in their own names in the register of shareholders (so-called voting rights registration) to be able to participate in the AGM. Such registration must be executed by 17 March and should be requested from the shareholder's bank or nominee well in advance of this date.

The Board of Directors and the President 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), Attn: Investor Relations, SE-107 69 Stockholm, Sweden. Questions from shareholders must be received by Axfood not later than 13 March and will be responded to not later than 18 March. Questions and answers will be kept on hand at Axfood, Solnavägen 4, Stockholm, and on the Company's website, and can be sent to shareholders who so request, provided that the shareholder provides their address.

## Dividend

The Board of Directors recommends that the AGM resolve in favour of a dividend of SEK 7.75 per share (7.50) for the 2021 financial year. The dividend shall be split into two payments, SEK 4.00 per share in March 2022 and SEK 3.75 per share in September 2022. 25 March and 23 September are proposed as the record dates for the payment of dividends. If the AGM votes in favour of the proposal, payment of dividends is expected to take place on 30 March and 28 September.

## Notice of AGM

Notice of the AGM has been made through an advertisement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and Svenska Dagbladet and through publication on the Company's website. Documents that will be presented at the AGM are made available on the Company's website. They will also be sent, upon request, to shareholders who provide their postal address.



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**Axfood AB**

Shared Service Center  
SE-551 93 Jönköping  
Visitors' address: Bataljonsgatan 12  
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Solberg

Foto: 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.

# Axfood