

Annual and Sustainability Report 2022

**Better quality of life for everyone with  
affordable, good and sustainable food**

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### About the Annual and Sustainability Report

Pages 38–85 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 Global Reporting Initiative (GRI) Guidelines 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.

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Strategy and objectives

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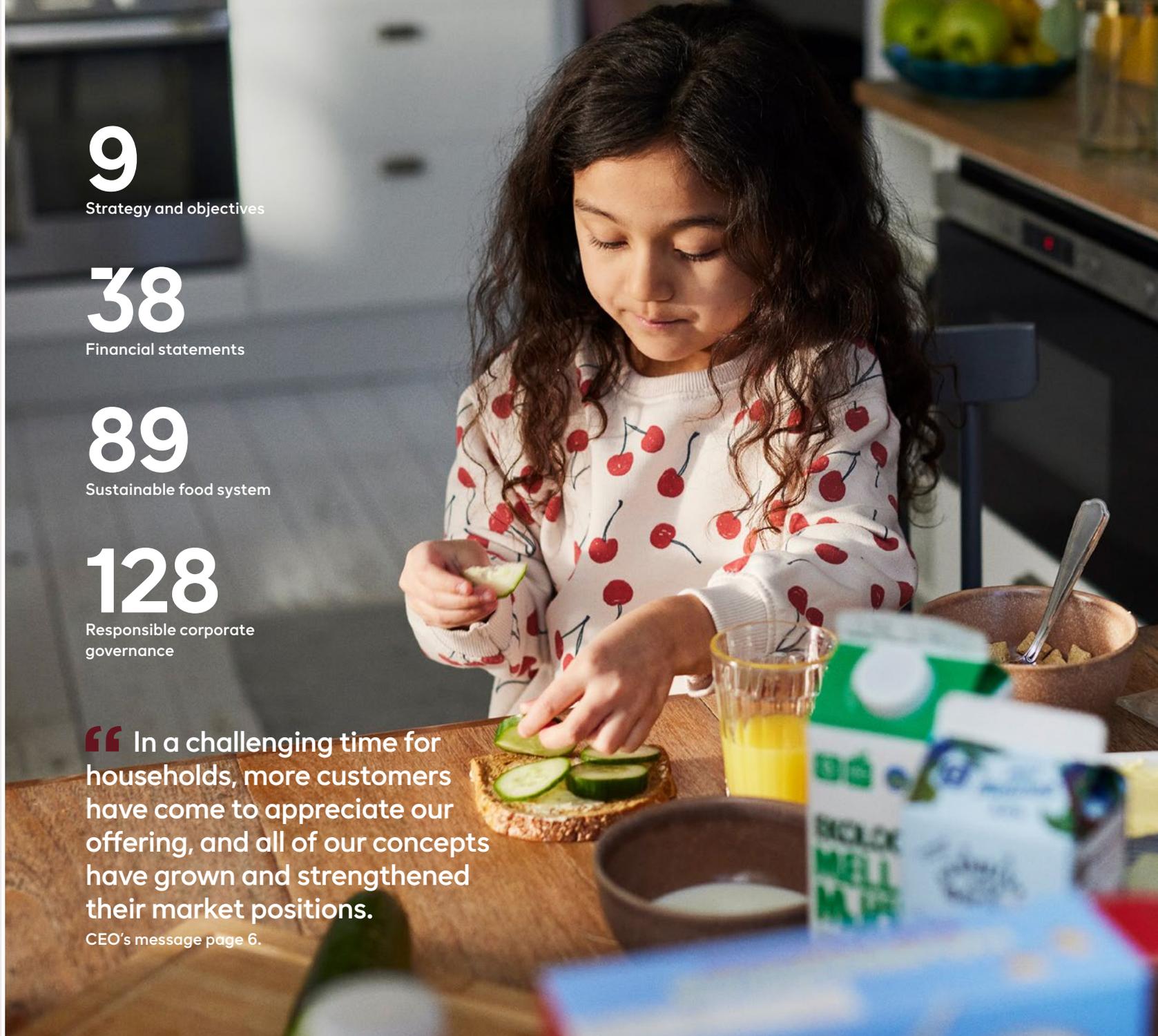
Sustainable food system

# 128

Responsible corporate governance

“ In a challenging time for households, more customers have come to appreciate our offering, and all of our concepts have grown and strengthened their market positions.

CEO's message page 6.





Vision

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

**4.5 million**

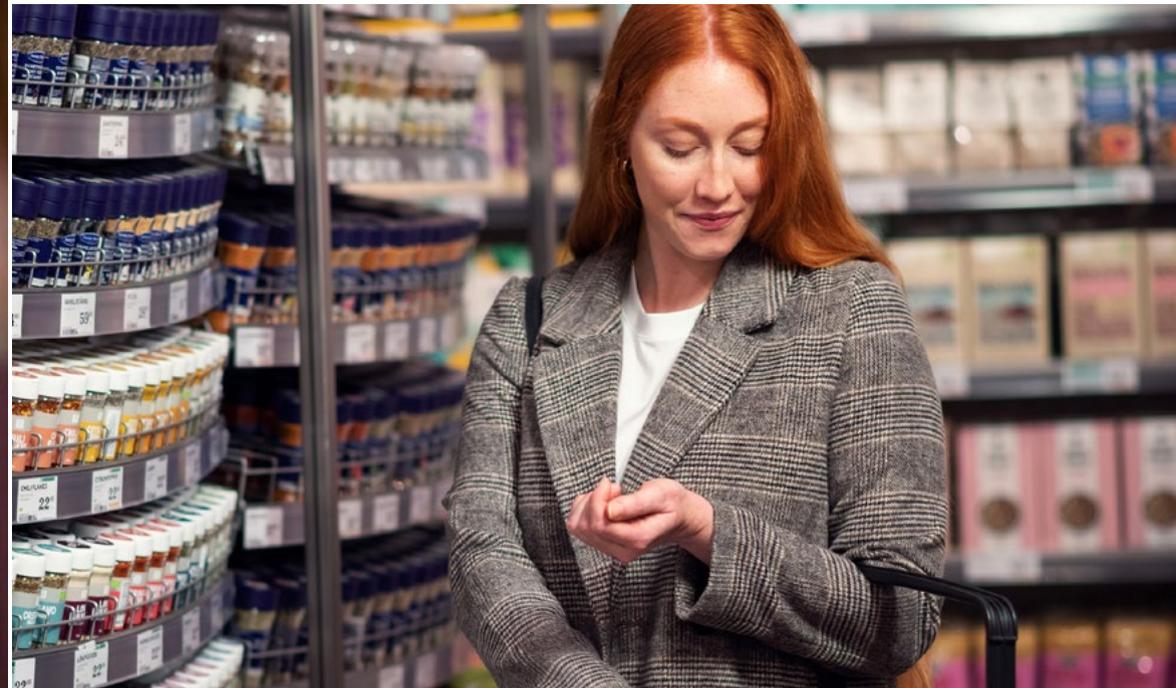
Number of customers reached through Axfood's store concepts every week

**593**

Number of Group-owned stores and franchise stores

**12,772**

Average number of employees within the Axfood family



# This is Axfood

The Axfood Group is one of the leading players 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 700 collaborating retailer-owned store. In total, Axfood has nearly 13,000 employees (FTEs), net sales of more than SEK 70 bn and an operating margin of 4.2%.

Axfood aspires to be a strong force in society that works together with stakeholders and decision-makers in society to drive development toward more sustainable food production and consumption.

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



# A unique family of companies

Axfood develops and operates different concepts in the Swedish market. Each concept has a solid position in its respective segment and is to offer the best experience for its customer group. Axfood's breadth of brands 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 represented in the Swedish food retail market primarily through the leading discount grocery chain Willys and through Hemköp in the traditional grocery segment. With Tempo, Handlar'n and Matöppet, Axfood also has a position in mini-marts. Eurocash offers cross-border shopping with Norway, and with its partnership and ownership stake in City Gross, the Group has a presence in the hypermarket segment. With Middagsfrid and its ownership stake in Mathem<sup>1)</sup>, Axfood also operates in pure-play online retail. In addition to these concepts, Axfood also has a presence in cafés and restaurants with the wholesale business Snabbgross and the restaurant chain 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 retailer-owned 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 entered into a strategic partnership with Mathem and became a co-owner of the company through the divestment of Mat.se in exchange for shares in Mathem. Read more on page 39.

**SEK 73 bn**

Net sales

**SEK 3,1 bn**

Operating profit

**4.2%**

Operating margin



## 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 the business concept of offering Sweden's cheapest bag of groceries, Willys aspires to lead and develop the discount segment of food retail.



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.



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

## Hemköp

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



Matöppet aims to be a personal grocery store, and the retailer-owned mini-marts focus heavily on service and offering a wide range of fresh products.



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. Sales to consumers take place through Snabbgross Club.



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

## Middagsfrid®

Middagsfrid offers pre-planned meal kits for consumers who want help to develop healthier food habits. Middagsfrid wants to make it easier to eat healthier more often.

## 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.



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.



The online pharmacy Apothem<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.

### Minority shareholding



City Gross<sup>1)</sup> operates hypermarkets and online shopping and has a wide and affordable assortment with a rich offering of fresh products.

### Mathem

With a well-developed e-commerce platform and a wide assortment, Mathem<sup>2)</sup> is one of Sweden's leading pure-play online grocery retailers with home delivery.

Read more about Axfood's segments on pages 42–49.

1) Partly owned by Axfood. See Note 21 for more information.

2) On 1 March 2022, Axfood entered into a strategic partnership with Mathem and became a co-owner of the company through the divestment of Mat.se in exchange for shares in Mathem. Read more on page 39.

# Improved market positions and continued investments during an exceptional year

We can now look back at a year characterised by historically high inflation and changing customer behaviour. As Swedish consumers have found themselves with less money to spend, our mission to deliver an attractively priced and competitive offering to our customers becomes even more important. Despite facing short-term challenges, we achieved record-breaking growth, improved our market position and maintained a high pace of investments in the future. This has provided us with an excellent platform to build on for the future.

2022 was a turbulent year, to say the least. When the pandemic restrictions were lifted early in the year, we saw customer traffic increase again as people returned to their offices and physical stores. Cafés and restaurants recovered, and customers resumed cross-border shopping as the restrictions on travel from Norway to Sweden were lifted.

In late February, Ukraine was invaded by Russia, which added to the wave of challenges after the pandemic, including a shortage of raw materials, higher energy and fuel prices, supply chain restrictions, and major difficulties in securing a stable product supply – all of these factors contributed to a sharp increase in food price inflation, which soared to unprecedented levels. As a result of higher household expenses, consumer purchasing patterns changed. Value for money became increasingly important, and it was clear that many people were searching for low price and campaign products. Unfortunately, we also noted that consumers increasingly chose not to purchase sustainability-labelled products, which often have a higher price since they are generally more expensive to produce. As a result of this new customer behaviour and the new conditions that emerged during the year, we worked to continue developing our offering and to become even more flexible in how we respond to changes in demand.



“ Despite facing short-term challenges, we achieved record-breaking growth.

## CEO'S MESSAGE

### A successful year of powerful growth

Over the past year, Axfood grew more than twice as much as the overall market. I consider this gratifying evidence that our customers appreciate our concepts and our offering. Operating profit improved as a result of sharp growth in like-for-like sales, while profitability declined slightly. The frequent price increases announced by our suppliers during the year have not been fully reflected in prices for consumers, which – along with growing customer demand for campaign products and higher logistics costs – had a negative impact on the operating margin.

### Axfood family strengthens position

The Axfood Group consists of a number of distinctive concepts working in collaboration. It is thanks to the differences between our concepts that we can make a difference and leverage the opportunities that arise from consumers' increasingly disparate needs. During the last year, all of our concepts performed well and strengthened their market positions.

Willys, the leading player in the discount segment, delivered an excellent performance, with exceptionally high growth. A growing number of consumers have come to appreciate Willys' offering, and Willys' loyalty programme now has more than three million members. This success is the result of many years of development with a focus on establishing clarity, optimising operations and maintaining a high pace in modernising stores.

As pandemic-related travel restrictions were lifted and cross-border shopping recovered, Eurocash benefited from recent investments in its stores and concepts, and exceeded its pre-pandemic sales figures during the second half of the year. In the traditional grocery segment, Hemköp captured market share, and the rate of investment in the business was accelerated in order to continue strengthening the concept, primarily by modernising the store base. The Snabbgross wholesale business delivered another strong year of powerful growth, and Snabbgross Club was expanded, making this unique, member-based concept even more available to private customers.

Our development companies also made important progress Apohem grew at an impressive rate and continued to capture market share in the online pharmacy market. Middagsfrid, which offers meal kits online, developed a new and more flexible customer offering, and the Urban Deli restaurant chain recovered after the pandemic. Overall, our development companies represent exciting growth opportunities with the potential to contribute innovative approaches to other operations in the Axfood Group.

Our purchasing and logistics company Dagab maintained a very high activity rate during the year and, while also navigating challenges related

to the supply chain and assortment, made major strides when it came to further strengthening the offering of affordable, good and sustainable food. Development is carried out continually based on the positioning of each brand in order to create a distinctive, efficient and sustainable assortment that also paves the way for healthier food habits. During the year, Dagab launched many new and exciting products that gave consumers even more reason to shop with us, with a focus on meal solutions and innovative protein sources.

### Pace of change remains high

During 2022, while simultaneously managing the current market situation and higher customer traffic, we also continued to maintain a high tempo in our investments in the future. We develop innovative solutions to ensure efficiency and create value for us and our customers, with the ambition to be a leader in the development of the simplest and best food experiences.

Within the Group, we are currently working on numerous Group-wide development projects. We are optimising our way of working in our stores, introducing new systems that simplify and enhance the efficiency of store operations. We are making investments to create a more attractive customer offering by establishing better conditions for planning and optimising prices, campaigns and the assortment. And we are further developing the digital customer meeting to make it more relevant and to inspire customers to shop with us.

To strengthen our position in the pure-play online retail segment, we became the second largest owner of Mathem, with a shareholding of 16.5%, in conjunction with the divestment of Mat.se to Mathem in exchange for newly issued shares in Mathem. This transaction creates synergies and scale, and should be regarded as a complement to our other e-commerce offerings, mainly through Willys and Hemköp.

However, the largest investments we are currently making are focused on becoming more competitive in our underlying logistics operations. Over the past year, we officially opened our new, larger nationwide fruit and vegetable warehouse in Landskrona as a step in further streamlining our logistics operations and accommodating future volume growth. We also reached a milestone in the establishment of our new, highly automated logistics centre in Bålsta, which serves both our stores and online sales, when the first deliveries from suppliers were received. I visited the logistics centre earlier this winter to see the first pallets being loaded in the warehouse, and I must say that it was fantastic to see that we are now starting to gradually implement automation after several years of investments and great efforts within the Group. Just recently, we passed yet another milestone when it was time for the first deliveries of the dry assortment to stores after thorough testing of all flows.

### Important events 2022

- Completed integration of Bergendahls Food, and system conversion of City Gross stores to Axfood's systems and processes
- Strategic partnership commenced with Mathem with Axfood as a new co-owner through the divestment of Mat.se to Mathem
- First deliveries to the new highly automated logistics centre in Bålsta outside Stockholm, and commencement of operations at the new fruit and vegetable warehouse in Landskrona
- Accelerated initiatives for energy efficiency enhancements and the construction of significant solar power facilities at newly built warehouses
- Expanded assortment of sustainable and healthy products
- Further steps toward fossil-free transports, and the first fully electric truck and trailer became operational

### Key ratios

	2022	2021	Change
Net sales, SEK m	73,474	57,891	26.9%
Retail sales, SEK m	55,721	49,815	11.9%
Net sales in e-commerce, SEK m	3,141	3,690	-14.9%
Operating profit, SEK m	3,101	2,704	14.7%
Operating profit excl. items affecting comparability, SEK m	3,229	2,690	20.1%
Operating margin, %	4.2	4.7	-0.5
Operating margin excl. items affecting comparability, %	4.4	4.6	-0.3
Share of sustainability-labelled products, %	26.6	28.1	-1.5
Share of food waste, %	1.2	1.2	0.0

CEO'S MESSAGE

In parallel with making important progress in our extensive development projects, we also integrated Axfood's largest ever acquisition. When we announced the acquisition of Bergendahls Food and partnership with City Gross in 2021, we made food retail history. During 2022, we integrated the operations with Dagab, and converted all City Gross stores to Axfood's systems and processes. We can now start to benefit from this transaction, and it is clear that it will make us and City Gross significantly more competitive.

**Taking the lead in promoting a sustainable food system**

Sustainability issues are an important part of all areas of our Group. We are challengers, leading the way when it comes to reducing the environmental impact of food in the value chain that we are part of, and our aim is to become the strongest driving force for sustainable food in Sweden.

Over the past year, we continued working to reduce our impact on the climate and biodiversity, offering consumers sustainable and healthy products, and minimising food waste. We also made major strides in our work related to gender equality, inclusion and diversity. We increased the pace of our efforts to reduce our electricity consumption and become more energy efficient, continued to invest in rooftop solar panels on our stores and warehouses, and increased our share of fossil-free transports.

With a year like this, changes in consumer purchasing behaviour had an adverse impact on sustainable consumption and our sales of sustainable products. This development concerns me. Transitioning to a more sus-

tainable future is a high priority for Axfood, and we will continue maintain a high level of ambition.

**Attractive and improved prospects**

Looking back over 2022, I can humbly state that we have left another very strong year behind us. In a challenging time for households, more and more customers have come to appreciate our offering, and all our concepts strengthened their market positions. We are identifying change, adapting to change and initiating change ourselves, and by doing so we are creating opportunities for growth. At the same time, we are making progress in our own operations and in the development of the food system that we are part of, and we have continued to make investments and work toward strengthening our long-term competitiveness.

I'm proud of how we navigated this market together, with a sense of responsibility and with our sights set on ensuring high accessibility of affordable, good and sustainable food, to create a better quality of life for everyone. I would therefore like to take this opportunity to thank all of the Group's employees for their commitment and important efforts. Together we are strong, and we show this time and time again.

Stockholm, February 2023

**Klas Balkow**  
President and CEO

“ In parallel with making important progress in our extensive development projects, we also integrated Axfood's largest ever acquisition.

Net sales<sup>1)</sup>



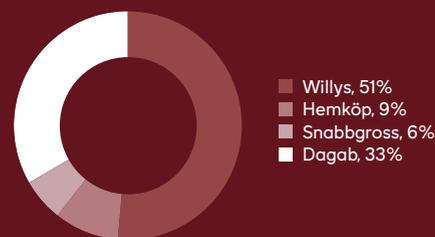
1) Including Bergendahls Food from 1 October 2021

Operating profit and operating margin<sup>1)</sup>

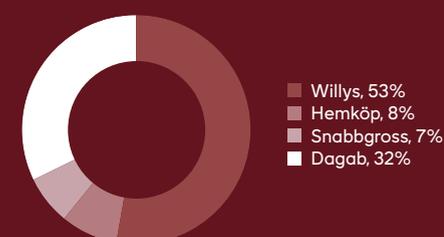


1) Including IFRS 16 from 2019

Share of external net sales by operating segment



Share of operating profit by operating segment





Strategy

# Clear direction for the future

# A changing environment

Digitalisation, sustainability and health as well as price value are examples of trends that are having a major impact on society, the food retail industry and Axfood. The pandemic accelerated many of these trends, resulting, for example, in increased e-commerce and a greater focus on sustainable and healthy products, but during the past year, the greatest impact on market dynamics has been the high level of inflation, leading in particular to increased price consciousness among consumers.

Read more about Axfood's objectives for 2030 on page 15

## 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

### 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

### 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 an ambition to reflect the diversity found in society in order to meet various needs

## Competition



### How changes are taking place

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

### Impact on the food retail market

- Increased competition from traditional as well as new players and from other related 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-creating services such as meal solutions, price comparisons, recipe websites and home delivery

### How Axfood operates

- 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 loyalty programmes to ensure relevance and attractiveness

## Price value



### How changes are taking place

- Increasingly strong discount trend, particularly in times of economic uncertainty and high inflation
- Digitalisation is leading to increased price transparency
- A low price is not the only factor determining 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

- 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

- 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

MARKETS AND DRIVERS

# A changing environment

Read more about Axfood's strategy on pages 18–32



## 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

### 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

### 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



## Health and sustainability

### How changes are taking place

- 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 and healthy food
- More and more consumers are open to changing their food consumption over time in order to reduce their carbon footprint

### Impact on the food retail market

- 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

### How Axfood operates

- Assortment development and focus on sustainability-labelled products
- In-store information and inspiration as well as development of loyalty programmes in terms of health and sustainability
- Focus on sustainable packaging, reduced food waste, seasonal food, social responsibility and traceability
- Environmentally certified stores
- Engagement with decision-makers and annual publication of the Mat 2030 report, Axfood's proposal for a sustainable food strategy for Sweden.



## Digitalisation

### How changes are taking place

- More digitalisation in all areas of food retail, from product development and purchasing to logistics, ways of working, marketing and customer meetings
- The share of the total market attributable to e-commerce has risen in recent years, although growth has slowed down after the pandemic
- New payment methods from new players are changing the way data is accessed and collected

### Impact on the food retail market

- 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

- A flexible in-store shopping experience with digital tools that simplify the shopping process, such as self-service and self-scanning as well as modern payment terminals
- Investments in digitalisation of core processes within pricing and assortment, product supply and in store
- Continued initiatives in e-commerce and development of the digital customer meeting, flexible delivery options including home delivery as well as store pick-up

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 growth 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. During 2022, Axfood's market share was about 21% (20).<sup>1)</sup>

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 almost a fifth 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 up to 2021, average annual growth

for the discount segment was around 7%, compared with just over 3% for the market as a whole.

In recent years, grocery sales online have grown relative to the market. Still, e-commerce accounts for only a small share of total sales – approximately 4.5% in 2022.<sup>1)</sup> E-commerce sales are divided relatively evenly between the delivery alternatives store pick-up and home delivery.

### Development during the year

In 2022, the Swedish food retail market grew by a total of 5.7%, and sales excluding VAT amounted to approximately SEK 269 bn (255).<sup>1)</sup> Growth was entirely driven by high food price inflation, which, according to Statistics Sweden, amounted to 11.3%. Adjusted for prices, the trend in the market was therefore negative, mainly due to a decline in consumer purchasing power and the recovery of restaurants and cafés following the pandemic. Growth in the discount segment was considerably higher than the rest of the market as a result of increased consumer price consciousness due to rising inflation. As restrictions were relaxed at the start of the year, those market sectors that experienced a challenging

“ The food retail market is relatively unaffected by economic swings and growth is driven largely by population growth and inflation.

situation during the pandemic, such as stores in central urban locations and cross-border shopping with Norway, gradually recovered. As a result of increased customer traffic in physical stores, e-commerce growth was negative and amounted to -17.0%.<sup>1)</sup> Store pick-up declined by -23.7%, while home delivery declined by -10.3%.

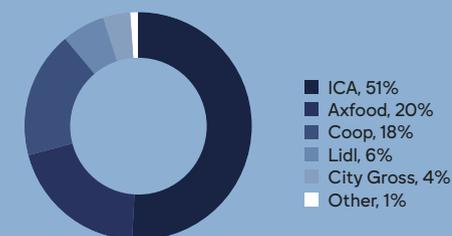
1) Source: Swedish Food Retail Index (Swedish Food Retailers Federation and HUI Research).

### Food retail market segments 2021

Discount					
Hard discount	Soft discount	Hypermarkets	Traditional grocery large stores	Traditional grocery mini-marts	
6%	13%	27%	45%	9%	
Items:	3,000–4,000	5,000–12,000	12,000–20,000	10,000–15,000	1,000–5,000
Brands:	Lidl	Willys, Willys Hemma, Eurocash	City Gross, ICA Maxi, Stora Coop and others	Hemköp, Coop, ICA Supermarket, ICA Kvantum, Mathem and others	Tempo, Handlar'n, Matöppet, ICA Nära and others
Locations:	Residential and external	Residential and external	External	City centres, residential, pure-play online retail	Roadside and residential

Source: Axfood's estimates for full-year 2021. Full-year 2021 is used since complete public information is not available for 2022.

### Market shares 2021



Source: Axfood's estimates for full-year 2021. Full-year 2021 is used since complete public information is not available for 2022.

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 offer shopping 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 number of large players and numerous 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>

### Development during the year

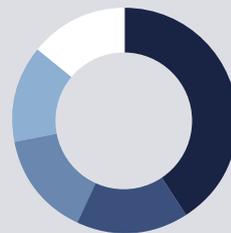
Sales in the private foodservice market increased by 34% in 2022 and amounted to just over SEK 28 bn (21).<sup>1)</sup> The strong performance was attributable to the continued recovery of the café and restaurant market as pandemic restrictions were eased at the beginning of the year. The restrictions imposed during the pandemic put constraints on the ability of cafés and restaurants to conduct business. The segments that displayed the largest increases in 2022 were 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 relatively high comparison figures, continued to report strong growth in 2022.

1) Source: Delfi Marknadspartner AB. Private foodservice market, index Jan–Dec 2022/Jan–Dec 2021.

2) Source: Statistics Sweden.



Market shares 2022



- Martin & Servera, 41%
- Menigo, 16%
- Snabbgross, 15%
- Svensk Cater, 14%
- Other, 14%

Source: Delfi Marknadspartner AB. Private foodservice market, index Jan–Dec 2022/Jan–Dec 2021.



# Three processes from product selection to customers

Axfood's business model covers purchasing and assortment, product flow and logistics, as well as 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

Axfood offers an attractive, efficient, wide and affordable assortment. Work with the assortment is 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 in all sales channels and concepts.

# >50k

Number of items in Axfood's assortment

## Product flow and 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.

# 270

Number of trucks in Axfood's own vehicle fleet

## Sales channels and concepts

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 market segments. Key aspects of creating a good customer meeting include inspiring stores, a comprehensive offering of fresh products, and innovative digital solutions. Sustainable business requires active work on preventing food waste while inspiring and making it easy for customers to buy good and sustainable products.

# 593

Number of Group-owned stores and franchise stores



# Objectives that set direction

Axfod's vision is to be the leader in affordable, good and sustainable food, and thereby create a better quality of life for everyone. This is Axfod Group's purpose. Axfod works to improve and simplify life around food for everyone impacted by its different concepts, operations and brands. Four ambitious objectives provide the direction until 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

# 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.



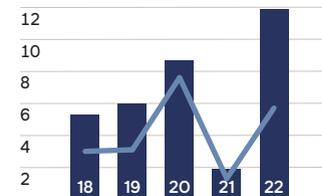
## Financial targets

### Growth

**Target: > the market**  
**Outcome: 11.9%**

Axfood will grow faster than the market. In 2022, Axfood's retail sales increased by 11.9 percent (1.9), while growth for the market was 5.7 percent (1.3)<sup>1)</sup>.

Growth in retail sales, %



**Comments**

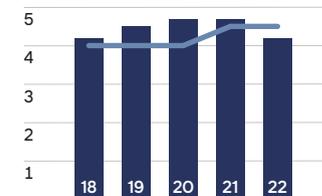
With various strong concepts and strong market positions, Axfood has grown faster than the market for several years, both in physical stores and in e-commerce. This trend accelerated in 2022, particularly for Willys, and Axfood grew more than twice as much as the market.

### Profitability

**Target: ≥4.5%**  
**Outcome: 4.2%**

The operating margin will be at least 4.5% over the long term. The operating margin in 2022 was 4.2% (4.7).

Operating margin, %



**Comments**

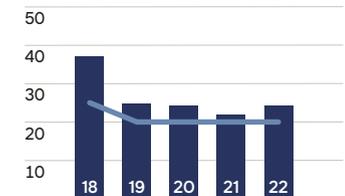
At the end of 2021, the profitability target was raised from the previous level of a long-term operating margin of a minimum of 4.0%. This was a result of the investments that are now being made in logistics, together with the development in the store chains, create favourable conditions for increased profitability over time.

### Financial position

**Target: ≥20%**  
**Outcome: 24.1%**

The equity ratio is to amount to at least 20% at year-end. As of 31 December 2022, the equity ratio was 24.1% (21.8).

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 to create the scope and flexibility to make investments that will lead to long-term benefits for the Group. In 2022, the equity ratio was positively impacted by the completed rights issue of SEK 1.5 bn.

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

— Target  
■ Outcome

TARGETS AND OUTCOMES

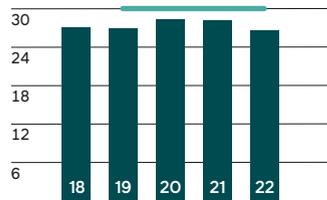
# Sustainability targets

## Sustainable assortment

**Target: ≥30%**  
**Outcome: 26.6%**

By 2025, the share of sustainability-labelled products as a percentage of Axfood's retail sales will amount to at least 30%. In 2022, sustainability-labelled products accounted for 26.6% (28.1).

Share of sustainability-labelled products, %



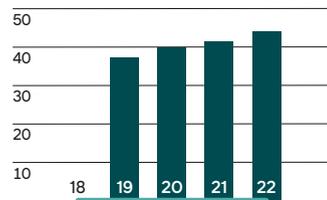
**Comments**  
Sustainability-labelled goods guides consumers to products that are made in a way that takes both environmental and social aspects into account. These products are often higher in price since they are generally more expensive to produce, and in 2022, their share of sales declined, partly as a result of consumers' increased price consciousness. The development of both the customer offering and customer meeting with regards to sustainability and health is highly prioritised.

## Carbon footprint

**Target: net zero**  
**Outcome: 44,327 tonnes**

Axfood will have net zero emissions from its own operations by 2030 at the latest. In 2022, total greenhouse gas emissions (Scope 1, 2 and 3) amounted to 44,327 tonnes of CO<sub>2</sub> equivalents (41,336).

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



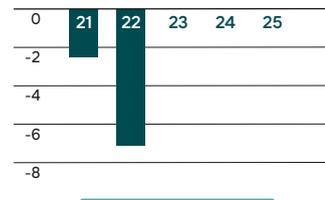
**Comments**  
The climate target helps to limit the emissions of greenhouse gases to meet both national environmental goals and the Paris Agreement. The Group's emissions from its own operations are climate compensated. The work to transition the delivery fleet towards more renewable fuels continues, to offset the negative trend in emissions.

## Electricity consumption

**Target: -10% per sq. m.**  
**Outcome: -7% per sq. m.**

Axfood's electricity consumption is to decline 10% per square metre by 2025 (base year 2020). In 2022, electricity consumption per square metre decreased by approximately 7% compared with the base year.

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



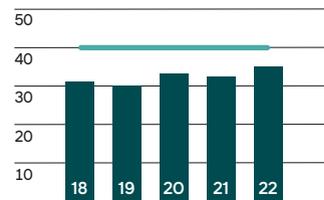
**Comments**  
Axfood's operations require electricity, for example, for lighting, heating, cooling, freezing and ventilation. Consumption, the absolute majority of which comprises green electricity, is monitored, followed up and measured using a joint control system.

## Gender equality

**Target: 40–60%**  
**Outcome: 35.0%**

Axfood 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 2022, the share of women in management positions was 35.0% (32.3).

Share of women in management positions, %



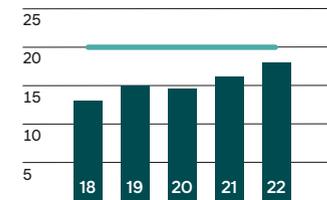
**Comments**  
Axfood is a values-governed company that aspires to reflect society as a whole. Axfood strives for an even gender breakdown among its employees, and ambitious and long-term targets ensure that the Group is working toward a more even balance between men and women in management positions.

## Diversity

**Target: ≥20%**  
**Outcome: 17%**

Axfood's target is for at least 20% of the Group's managers to have an international background. In 2022, 17% (16) of Axfood's managers had an international background.

Share of managers with international background, %



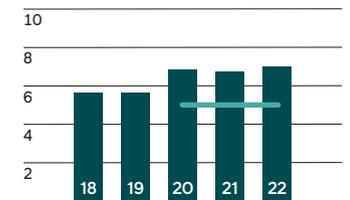
**Comments**  
Axfood endeavours to reflect the diversity found in society, and is to offer all of its employees fair opportunities to contribute and grow professionally. Axfood strives for a broad international representation among its employees.

## Sickness-related absence

**Target: ≤5.3%**  
**Outcome: 7.0%**

Sickness-related absence among Axfood's employees is not to exceed 5.3%. In 2022, sickness-related absence amounted to 7.0% (6.7).

Share of sickness-related absence, %



**Comments**  
Axfood 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 pandemic.

— Target  
■ Outcome

— Food



— The environment



— People



Axfood's sustainability work comprises three areas: food, the environment and people. The UN Sustainable Development Goals (SDGs) are shown to the left.

# Our strategy

With a strategic framework, concrete focus areas, a purpose-driven company culture and deep-rooted core values, Axford offers affordable, good and sustainable food and creates a greater quality of life for everyone.

Axford's vision is to be the leader in affordable, good and sustainable food. This is how we create a greater quality of life for everyone, which is our purpose. This permeates all of the Group's operations and serves as a compass for activities and decisions.

Axford's operations are conducted and developed based on a strategy of growth-promoting and efficiency-enhancing focus areas. 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 more stores, roll-out of e-commerce and the establishment of new formats centrally. The Group is made more efficient through a more data-driven work approach and continued development of the logistics solutions of the future. To stay at the forefront, initiatives and activities to strengthen the culture and engagement are prioritised to attract and develop the industry's best employees.

Within Axford, collaborative work is ongoing to significantly change the role of food for everyone that is impacted through the different concepts, operations and brands. Better choices are made easier, both for ourselves and for current and future generations. Read more about Axford's objectives for 2030 on page 15.

## 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

## Strategic focus areas

- 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.



### Customer meeting

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



### Expansion

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



### Supply chain

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



### Work approach

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



### Employees

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 the Group's purpose and targets, a sound corporate culture is crucial. Axfood's core values make it easier to make the right decisions and have the right priorities in day-to-day operations, and they provide a shared vision of how we are to interact within the organisation as well as with suppliers and customers.

**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

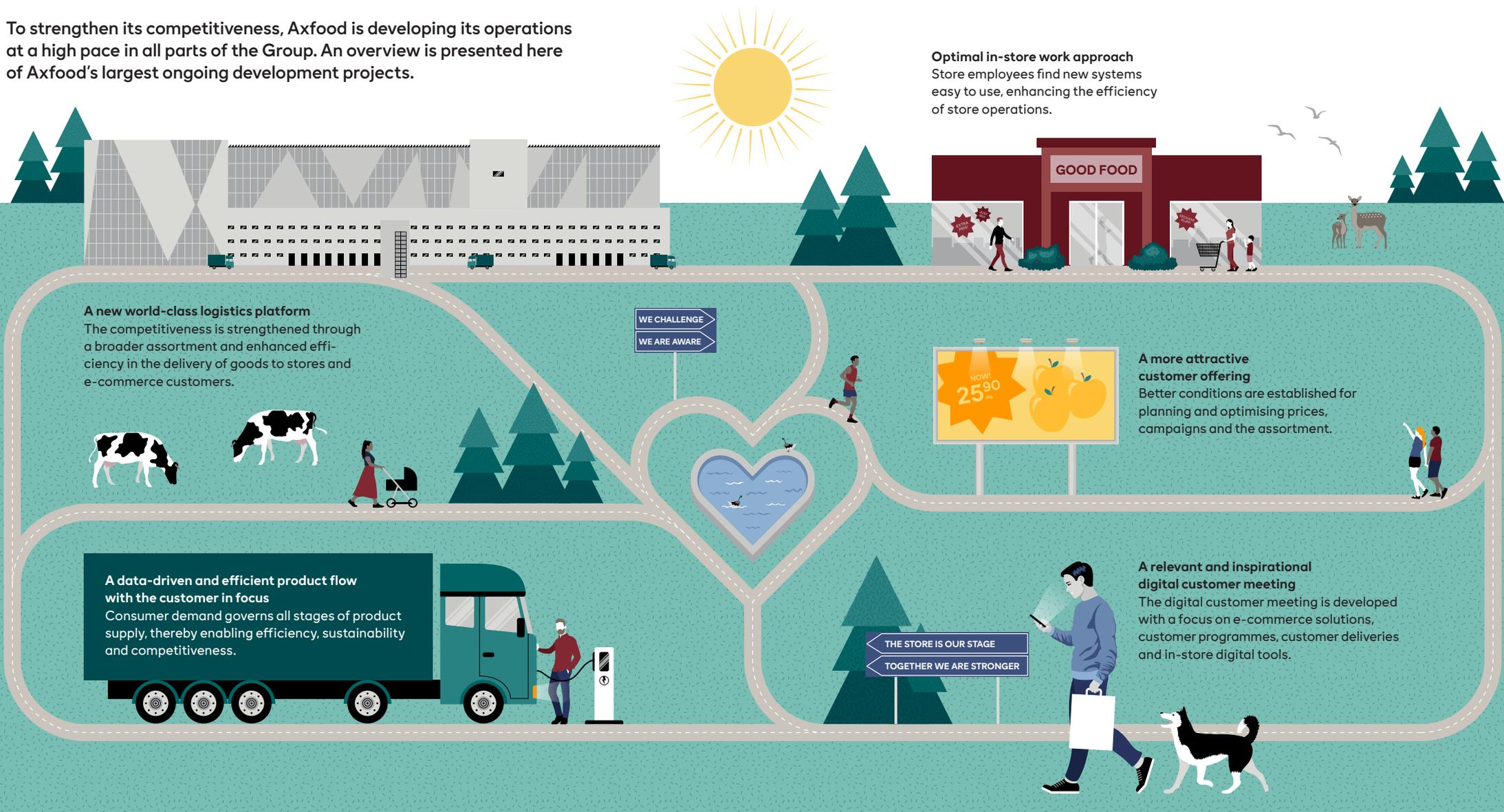
## Sustainability in everything – food, the environment and people

By seeing the whole picture and continually striving for improvements within the framework of the planet's limits, Axfood will contribute to sustainable development. Focusing on the entire food system with regard to environmental issues, social issues and animal welfare is critical when it comes to creating long-term and profitable growth. This also helps ensure the creation of economic value by strengthening brands, attracting customers and making Axfood an attractive employer. Axfood's sustainability work is therefore comprehensive and an integral part of operations 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 systematic and strategic, with key performance indicators and targets linked to Sweden's Environmental Objectives and the UN SDGs.

STRATEGY OVERVIEW

# Axfood's largest development projects

To strengthen its competitiveness, Axfood is developing its operations at a high pace in all parts of the Group. An overview is presented here of Axfood's largest ongoing development projects.





## CUSTOMER OFFERING

# 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 31% of the Group's sales consist of private label 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, Axfood organises an annual supplier meet-and-greet where a prize for supplier of the year is awarded.

## Clear focus on value for money

Price value has become increasingly important for customers in recent years and is therefore a high priority in Axfood's development of the product offering. In 2022, the high food price inflation also resulted in increased interest in discount and campaign goods. Within the respective concepts' market positions, the 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.

Following the acquisition of Bergendahls Food and the partnership entered into with City Gross, considerable focus during the year was placed on integrating Axfood's customer offering in City Gross stores, with both branded and private label products. When it comes to private label products, City Gross phased out its existing brands, which were replaced by Axfood's brand portfolio.

## Distinctive private label products

Axfood's extensive array of private label products, such as Garant, Eldorado, Minstingen, Fixa, S aklart and Gastrino, gives a significant competitive edge. The products contribute to profitable growth by creating an attractive and distinctive assortment that strengthens the offerings within Axfood's various concepts. The Group's assortment developers are innovation-driven and identify niches in the market, using customer data to develop products that are at the forefront of current 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 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 surveys demonstrate that knowledge of and loyalty to Garant are very high. Eldorado aims to be the best discount alternative with a focus on basic products. The products are



## Customer offering

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

## Priorities 2023

- Develop and strengthen the assortment of affordable, good and sustainable food
- Strengthen the price position
- Continue to integrate the customer offering for City Gross
- Develop the meal solutions offering

## CUSTOMER OFFERING

quality assured and meet stringent sustainability requirements at the same time as they allow for sourcing from a broader origin and are inviting in terms of design and appearance. Surveys show a positive trend in terms of approval and the desire to repurchase Eldorado products in the past few years.

About 180 new private label products were launched during the year. The rate of development remains high, even if challenging circumstances related to the price trend and access to goods have resulted in fewer launches of new items compared with recent years.

## Leading innovations

Axford collaborates with local companies, entrepreneurs and researchers to develop the food of the future. The Group's offering of meal solutions is also continuously evolving to meet steadily rising consumer demand. Meal solutions are developed under private labels at the same time as the offering of warm food in stores is growing.

In 2022, Garant launched ready meals with plant-based cashew meat made from the by-products of harvesting cashew nuts. Garant also launched a new fish cake made from green-listed bream from Swedish lakes and broad beans from Småland – a result of a number of collaborations with players such as Axfoundation.

During the year, Axford became the first company in the food retail industry to launch a unique database containing approximately 18,000 different packaging materials. This database acts as a tool that contributes to the target of exclusively using recoverable packaging from renewable or recyclable raw materials by 2030 at the latest.

## 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. This is an area where Axford wants to be at the forefront, and to help suppliers transition and reduce their emissions, a new climate guidance tool was developed during the year. Axford's thousands of suppliers around the world are also to adhere to its Code of Conduct in the areas of human rights, working conditions, the environment and anti-corruption.

Read more about Axford's sustainability work in the supply chain on pages 106–110.

Axford'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 retail sales

# 180

Number of product launches in private label products



## An intense year with changing purchasing behaviours

The changed purchasing behaviour among consumers as a result of the increasing food price inflation in 2022 placed new requirements on the flexibility and speed of optimising the customer offering. The number of supplier negotiations was also significantly higher due to inflation. Changes in demand were managed together with suppliers as consumer interest increasingly shifted toward discount goods, campaign goods and private label products. The assortment was continually adapted, and as a confirmation of these successful efforts, more customers were attracted to Axford's stores.





## CUSTOMER MEETING

# The customer 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, geographic 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.

New ways are continually being introduced for using digital tools to improve customers' in-store experience. During the year, self-service checkouts were rolled out to more stores and a majority of Axfod's Group-owned stores have either self-scanning or self-service checkouts. A selection of Willys' stores also offer scanning with a mobile device.

## 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 the

physical stores. In e-commerce, it is important to cater to customers' varying preferences for order delivery. The store chains offer flexible delivery alternatives, and a central part of meeting customers' needs is being able to offer home delivery as well as store pick-up.

## Popular customer programmes

Willys, Hemköp and Snabbgross have digital loyalty programmes. 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 with approximately 3.2 million members. Data is used to create better campaigns, and all campaign materials are uniquely tailored to the individual customer to ensure the most relevant offer and content possible.

**“ With a high degree of accessibility, Axfod is there for everyone – seamlessly and regardless of sales channel.**



## Customer meeting

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

### Priorities 2023

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

CUSTOMER MEETING

Hemköp's Klubb Hemköp loyalty programme has increased customer loyalty through personalisation and relevance. The customer club inspires and guides its 1.8 million members 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, fruit and vegetables or if customers select digital receipts.

Snabbgross B2B customer program is being continually developed and approximately 100,000 customers are reached with targeted and relevant offerings. In Snabbgross' new store concept Snabbgross Club members can access campaigns, targeted offerings and inspiration to shop the unique brands and bulk packages that the concept offers and that are not available in traditional food retail.

Digital development

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 modernise the technology behind Willys' and Hemköp's respective e-commerce in part to enable quicker loading time for customers and higher quality and efficiency for the development of future functions. The degree of relevant and personal content for store chain customers from the website, app and other digital communication also increased.

New customer meetings for Axfood's development companies

With its unique concept of combining a restaurant, market hall, food store and its own production kitchens, Urban Deli has added a way to interact with customers in Stockholm with the "Urban Deli on the way" concept. With customised vehicles, Urban Deli visits a number of areas in and around Stockholm each day, equipped with meals for all hours of the day.

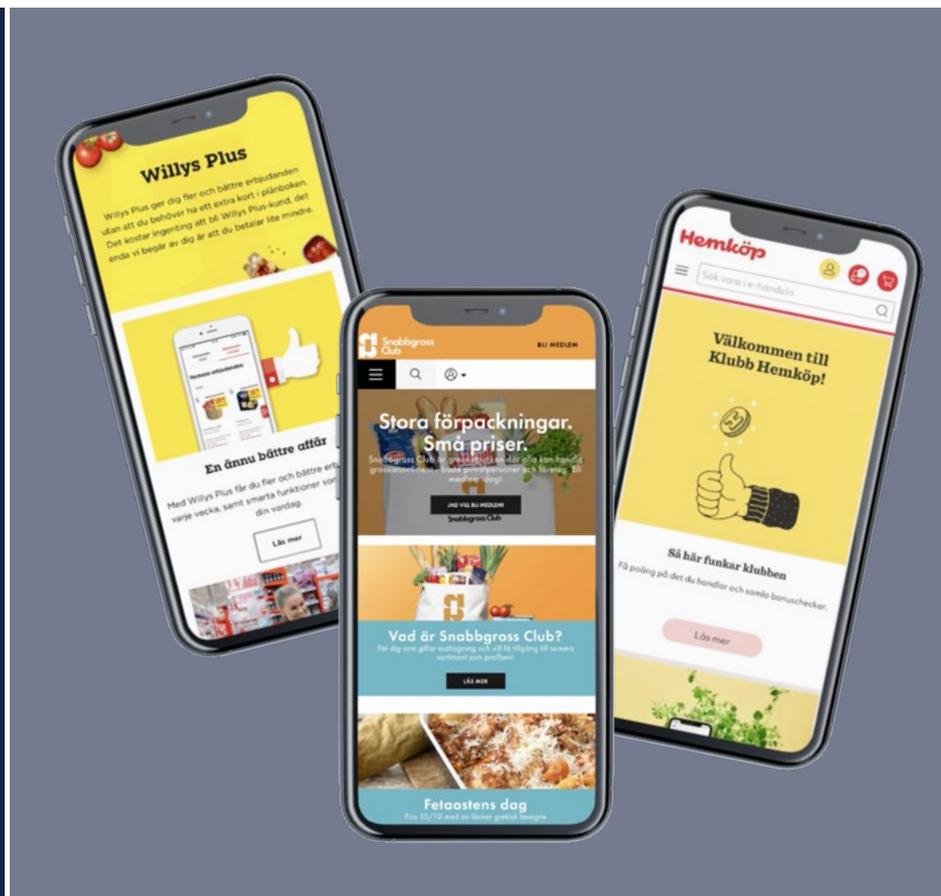
Middagsfrid focused on gearing up its organisation and the company's underlying functions and launched a more flexible customer offering on an optimised platform at end of the year. The company has mapped out the growing market for ready meals and developed a clear strategy to develop its unique position in health.

Apothem's market investments during the year contributed to powerful growth and a higher influx of new customers. The company also launched an improved version of its website, featuring new functions to enable a more seamless shopping experience.

Willys, Hemköp and Snabbgross Club have entirely digital loyalty programmes, with a total of somewhat more than five million members. Through data-driven customer insight, personalisation and relevance are established, enabling a stronger customer offering and increased loyalty.

# 5 million

Together, Willys, Hemköp and Snabbgross Club have somewhat more than five million members in their loyalty programmes



## Tempo turns 90

A lot has happened since Tempo opened its first store in 1932 at Östermalmstorg in Stockholm. Today, Tempo is part of the Hemköp chain and comprises somewhat more than 130 stores from Vidsel in the north of the country to Blentarp in the south, all of which are retailer-owned. Perfectly timed in conjunction with its 90th anniversary, Tempo freshened up and modernised the food chain's graphical appearance including a new logo. The first property to feature the new font was Tempo in Båstad, which opened in June.





## EXPANSION

# A continually growing Group

Axfood's target is to grow faster than the market. This will be achieved through continued establishment of new stores, a broad e-commerce offering and the development of new customer 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 retailer-owned stores.

### New establishments in attractive locations

Axfood has a presence throughout Sweden, but there remains 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, nine new Group-owned stores and six franchise stores were established. At the end of the year, Axfood had a total of 325 Group-owned stores and 268 franchise stores.

The roll-out of the member-based Snabbgross Club concept continued during the year, with both conversions of existing stores and new establishments.

### Competitive e-commerce

Axfood's store network offers customers a high degree of accessibility, even for pick-up of online orders. When it comes to store pick-up, for Axfood it has proven to be the most popular delivery option, allowing customers to pick up their groceries when it suits them best. At the end of the year, 149 Willys stores and 68 Hemköp stores offered online shopping. Middagsfrid offers pre-planned meal kits complete with recipes in urban locations. Mathem, in which Axfood is a minority owner, is a pure-play online grocery retailer with home delivery. All Snabbgross stores offer e-commerce to B2B customers. Apohem is a full-scale online retail pharmacy that offers home delivery of pharmacy products throughout Sweden. Completed market investments contributed to Apohem being the quickest growing company in the pharmacy market during the year.

### 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.

### Matöppet is now a part of Axfood

In conjunction with the acquisition of Bergendahls Food, the Matöppet mini-mart chain became a part of Axfood. Matöppet has approximately 50 retailer-owned stores, mainly in the south of Sweden, and focuses heavily on service and offering a wide range of fresh products.

## Expansion

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

### Priorities 2023

- Expand store network and e-commerce
- Increase collaboration with independent retailers
- Strengthen positions of the development companies



## SUPPLY CHAIN

# Major steps toward an optimised logistics platform

Changed consumption patterns, more digitalisation and the importance of ensuring competitive operations are driving the development of more sustainable and efficient product supply. Axfood's own warehouses and well-developed fleet of delivery vehicles supply products to stores and e-commerce customers throughout Sweden. In order to further strengthen the base operations, extensive investments are being made into the Group's logistics platform.

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 retailer-owned stores and convenience retailers. Two e-commerce warehouses handle home deliveries for Axfood's e-commerce business in Stockholm and Gothenburg.

Dagab's delivery fleet is made up of 180 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. At the same time, external transports provide flexibility and contribute to efficiency and sustainability, particularly in the countryside where transports are largely coordinated with other providers in order to optimise capacity utilisation. In addition to its heavy-duty trucks, Dagab has 90 light trucks and vans for e-commerce deliveries.

## Investments in logistics of the future

Investments to create a more sustainable, efficient and competitive product supply continued in 2022. These major investments will ensure a world-class nationwide logistics platform that will strengthen the entire Axfood family and external customers.

Establishment of the new, highly automated logistics centre in Bålsta proceeded according to plan. At the end of the year, the first supplier order was placed and automation commenced, with filling starting in the part of

the warehouse that handles dry goods. The facility is planned to be fully operational around year-end 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 successively moved to Bålsta in 2023.

To further develop and streamline operations and accommodate future volume growth, Axfood inaugurated a new, larger nationwide warehouse for fruit and vegetables in Landskrona in December 2022, which will be semi-automated in the years ahead. The warehouse replaced the previous nationwide warehouse in Helsingborg, supplying products to all of Sweden. The automation solution is expected to be fully operational in 2024.

To add additional pallet space and meet future volume growth, the 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.



## Supply chain

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

### Priorities 2023

- Develop future warehouse structure
- Prepare for operation based on the condition of the new warehouse structure
- Streamline and develop sustainable transport solutions of the future
- Continue to realise the business value of Bergendahls Food

## SUPPLY CHAIN

**Wholesale conversion of Bergendahls Food**

As part of the integration of the acquired company Bergendahls Food, a conversion of all IT systems, processes and work approaches at the warehouse in Hässleholm was completed during the year. The warehouse is now fully a part of Axfood's structure and continues to deliver to City Gross as well as other external customers.

**More efficient transports through new transport solution**

As a step toward a more sustainable and efficient transport model, the Group is implementing a new transport management system (TMS). 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.

**Green transition of delivery fleet**

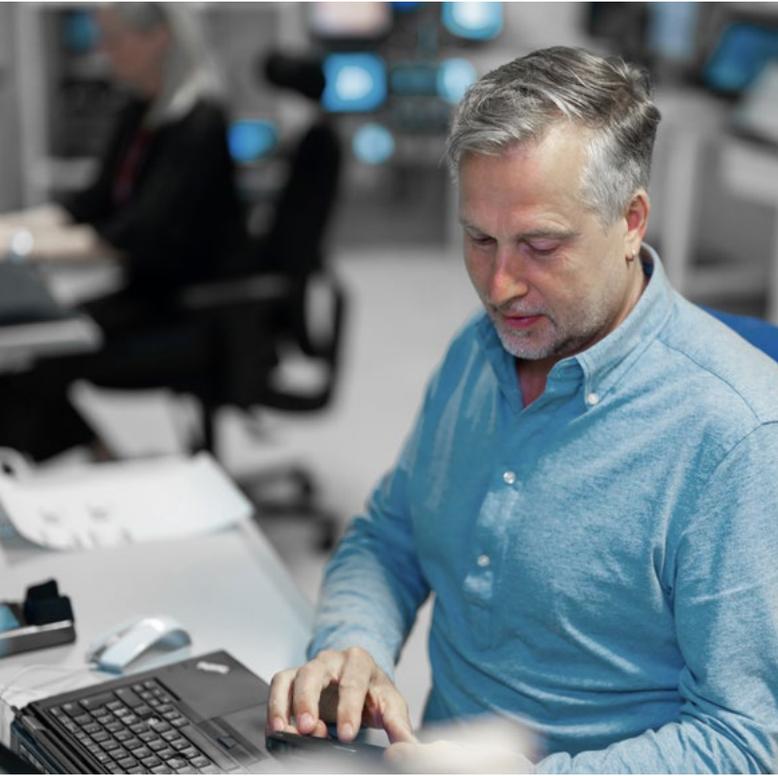
Emissions from own transports account for a large share of the Group's total carbon footprint. After extensive investments in a various types of vehicles, all Group-owned trucks can now be driven on fossil-free fuels. High demands are placed on safe work and traffic environments and on reducing the carbon footprint by promoting eco-driving and transitioning to sustainable fuels.

For several years, Dagab and Scania have had a close collaboration concerning fossil-free transportation. Using advanced analytics, it is investigated how fast it is possible to transition more vehicles to be driven on electricity. An important step toward fossil-free transportation was taken during the year when Dagab completed the first deliveries of chilled and frozen food in Scania's first fully electric truck and trailer weighing 64 tonnes. The truck is the first of its kind in the world and demonstrates how an increasing amount of transportation can be completely fossil-free. Dagab was also the first company in Sweden to operate Scania's first fully electric heavy-duty truck in 2021, and the collaboration is now being expanded to include increasingly heavy-duty vehicles.

During the year, Dagab converted one of its e-commerce light trucks from diesel to exclusively electric. The conversion of the trucks is part of Dagab's efforts to find smart and cost-efficient ways to extend the lifespan of existing assets.



“ For several years, Dagab and Scania have enjoyed a close collaboration concerning fossil-free transportation, and this collaboration is now being expanded to include increasingly heavy-duty vehicles.



## WORK APPROACH

# Automation and digitalisation

Food retail is undergoing a shift, with digitalisation and automation high on the agenda. Axfood can become even more competitive and relevant for customers by working both faster and more strategically with data.

Axfood's IT company has approximately 300 employees who create value and efficiency for all of Axfood's operations through innovation, digital development and automation. This enables the Group to be at the forefront in areas such as the digital customer meeting, e-commerce 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 creates an ability to change, 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 continually 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 is also investing 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 in recent years. 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, which creates favourable conditions for internal communication, targeted information and training based on the user's company affiliation, workplace and role. Through digital training courses, guides and engaging content, employees are urged to continuously develop their digital literacy.

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 can efficiently identify goods nearing their best-before dates, providing better control over the assortment and contributing to reducing food waste. Finger scanners can be used in store to quickly and easily scan products when e-commerce orders are assembled. A new modern, fast, and flexible cash register system has in recent years been implemented in Axfood's stores, 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.

“ A data-driven work approach is continually being developed and permeates the entire organisation.



## Work approach

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

## Priorities 2023

- Develop the partnership form with City Gross and other previous customers of Bergendahls Food
- Enable greater efficiency by modernising work approaches and tools
- Develop Axfood's new store platform and streamline operations with the help of digital tools
- Actively influence society to promote increased sustainability and competitiveness

## WORK APPROACH

**Information security high on the agenda**

Digitalisation is creating opportunities and new ways of working, but also increases the need to protect information and ensure stable IT operations. Information security is therefore a prioritised area in the Group. Major emphasis is being placed on preventive efforts and organisation in order to detect and manage threats and disruptions and ensure operational continuity in the event of unforeseen events. Continual efforts are also being made to raise awareness of information security issues, including measures such as a shared strategy, training and new technical solutions.

**Efficient and objective**

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

With the help of robots, time-consuming administrative duties can be automated. Robots take care of tasks such as quality control, final approval of flows and filtering of documents. 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.

**Integration of Bergendahls Food and development of City Gross partnership**

Following the acquisition of Bergendahls Food, all of the company's IT systems, processes and work approaches were converted during 2022. City Gross remains a standalone grocery chain, but was integrated with Axfood's IT system during the year and is supported by the new, coordinated purchasing and logistics operation. Axfood also provides HR and finance services to City Gross.

To meet the needs of customers who want to shop quickly without queueing, many Willys and Hemköp stores offer self-scanning or self-checkout. Customers have different needs and preferences, and these solutions help to strengthen the offering of a relevant and smooth purchasing experience.

# 15,000

Willys and Hemköp stores are equipped with over 15,000 self-scanners.

**More efficiency with automatic monitoring of hand scanners**

Willys and Hemköp stores are equipped with over 15,000 self-scanning devices that customers can use when shopping in store. These hand scanners need to be maintained during their lifespans. Axfood IT has now introduced an automatic way of easily identifying and solving faults with the self-scanning devices as soon as they occur.

"The new technology provides information such as charging capacity, temperature and battery. The data we receive allows us to

automatically remedy issues before problems arise. By doing this, we reduce the workload for both in-store employees and our own IT support," says Daniel Bergstedt, technician at Axfood IT with a focus on automation in store infrastructure.

The process was introduced this year and has led to in-store employees being able to devote more focus and time to their work instead of worrying about faulty scanners.



## OUR PEOPLE

# Employees as enablers

Axfood views diversity, equality and inclusion as self-evident and crucial aspects of its business. Axfood's employees meet millions of customers each week, and the organisation is therefore continually being developed to reap the rewards of our employees' different expertise, perspectives and potential while meeting customer needs.

Axfood has nearly 13,000 employees (FTEs) and promotes a culture in which employees are actively committed. 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, internal ambassadors were used to increase people's awareness about Axfood as an employer through podcasts, films and campaigns on social media.

During the year, Axfood registered 300,780 applications for the 2,595 positions in total posted within the Group. This represents an average of 116 applicants per position.

## Many development opportunities

Being part of Axfood offers many development opportunities and the Group has the ambition that everyone can grow, regardless of their position. Senior managers and new 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 works with the ambition to move learning out into the operations, which research shows has the greatest effect. Many courses are considered to be part of an "educational journey" where learning is spread out over time, with a number of components explored as part of the employees' day-to-day work.

Axfood is a growing Group and therefore has a continuous need for new leaders. 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. Specific leadership steps have been developed to provide store employees with the opportunity to become team managers or store managers. About 80% of Axfood's managers are appointed internally.

All employees at the Group's support offices are encouraged to do an in-store work placement for one day during the year. These in-store work placements are a good way of increasing the employee's understanding of the core operations and of how their own efforts impacts this work.

In 2022, a new talent programme commenced at Axfood IT. Over the course of a year, six newly graduated system developers will be granted the opportunity to work with SAP in various roles, such as integration, frontend and backend developers. The programme is a strategically important initiative and a way to ensure a continued competence supply.

## Reflection of customers

Axfood endeavours to reflect the diversity found among our customers, 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. During the year, Axfood was awarded the Allbright prize for its strategic work with equality, diversity and inclusion.

**“ Inclusion is deeply rooted in Axfood's culture.**



## Employees

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 2023

- Develop culture
- Develop leadership and employees
- Attract and develop expertise
- Strengthen a sustainable work life

## OUR PEOPLE

Axfood has a clear aspiration to have a diversity of representation at all senior levels. 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 in the labour market are looking for today – meaningful work with values that match their own.

Axfood 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. Axfood's goal is that the breakdown of men and women in management positions will be in the range of 40–60%.

**A sustainable workplace**

Axfood 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.

Employee health and well-being are highly prioritised. During the year, the "Healthy and Smart Food" initiative was launched to provide inspiration and knowledge about good and healthy food and food habits. The year also marked the first Axfoodloppet, a race intended to encourage exercise.

A system for reporting accidents and safety incidents is in place for 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 identify risks and remedy them for preventive purposes. The system has been in use for a long time in the warehouse operations, and during the past few years, the system has also been implemented in stores and support offices.

System support has also been implemented for managers in the past few years to help them address sickness-related absence and rehabilitation. The system reminds managers when it is time to conduct a wellness talk with employees who have had repeated short-term absences, and provides support throughout the rehabilitation process in the event of any long-term absence. The system also enables Axfood to follow up sickness-related absences based on several aspects in order to take specific measures and actions.

## Axfood's employee promise

**Our differences in the Axfood family serve as the underpinnings of a strong team and enable us to have an influence in our work today and tomorrow. Our passion for food and people, commitment and pride enable us to work together to create a better quality of life for everyone we meet and have an impact on. Together, we have the power to improve, develop and make a difference – for real.**

### Five reasons to work at Axfood

# 01

**Development opportunities – we grow together**

Our success begins with you. We embrace talent and ideas in an environment where it is appreciated when you dare to think 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 Axfood family we are always helpful and responsive to each other. Our family affiliation is a key reason why we go to work with passion and energy.

# 03

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

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

# 04

**Passion for food and people – together 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. Thanks to our many backgrounds, competencies and experiences, we are stronger together.

## EMPLOYEES

## A culture in which employees thrive and develop

### 1. Axfoodloppet

During the year, the first ever Axfoodloppet was held as part of Axfood's themed quality of life week. Over 300 employees ran, jogged or walked a five-kilometre stretch in the scenic Hagaparken in Stockholm.

### 2. Theme week to highlight Axfood's purpose

Axfood's purpose is to create a better quality of life for everyone. To increase employee commitment and knowledge around the purpose, activities were organised during a week dedicated to theme of "quality of life," with healthy food, training and competitions.

### 3. Recognised for diversity and inclusion efforts

After many years on Allbright's green list of gender-diverse listed Swedish companies, Axfood achieved first place in 2022. The award is a testament to the Group's strategic work with diversity and inclusion. Axfood's President and CEO Klas Balkow and Head of Human Resources Monica Långbo accepted the award from Allbright's CEO Amanda Lundeteg.

### 4. Developing the leaders of the future

After one year's development activities and studies in parallel with their work, 24 participants from Willys, Hemköp, Snabbgross and Eurocash have graduated from the "Store Manager Leadership" course. The programme was developed to meet Axfood's need for more employees to develop and enables employees to advance to the role of store manager over time.

### 5. Focus on communication concerning employer branding

Axfood launched an employer branding campaign, featuring films and banners in social media and various forums. During the campaign, employees were presented who shared their experiences as part of the Axfood family.

### 6. Urban Deli opened a restaurant at the head office

Urban Deli opened a restaurant at Axfood's head office, with a broad and varied selection of sustainable and healthy food that was quickly well received among employees.



# Risks and risk management

Like all business activities, Axfood's business is exposed to risks. Risks are something that can affect the operations negatively. Managed properly, however, they can also add value. How risks are managed is 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 to the right.

## Incident management

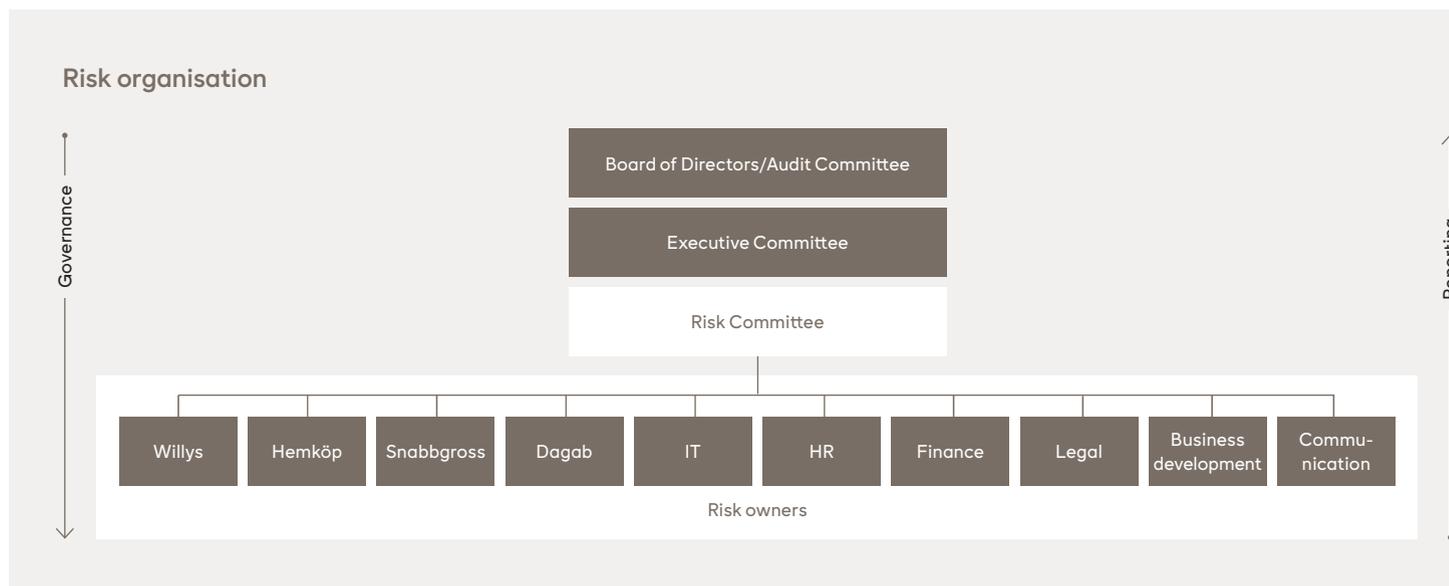
Incident reporting systems are in place for the Group. Through these systems, a compilation is made that provides documentation for determining how operational risks are to be prioritised and managed effectively and systematically.

## 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.

## 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. All of Axfood's insurances were renewed before they expired.



## 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 was handled in a special integration project that continued 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. The company also has a strong focus on diversity work, zero tolerance for discrimination and offensive treatment, having a good work environment and maintaining a healthy work/life balance.	←→	n/a

### Operational risks

Risk	Main risks	Management	Trend	Insured <sup>2)</sup>
F	Risk of disruptions in the logistics chain	A great deal of focus is placed on systematic fire safety work. Major emphasis is placed 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. 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. A more detailed description of Axfood's work with climate and environmental risks is provided in the Sustainability Report on pages 104–105.	↑	n/a
K	Pandemics	Experience and knowledge gained from handling the Covid-19 pandemic including physical measures taken in stores, warehouses and offices, remote working, staffing, digital work approaches and crisis management.	←→	✓
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
N	The war in Ukraine	Daily monitoring and measures at the product level. Close communication with producers and suppliers concerning notifications and their ability to deliver volumes ordered. Continual monitoring of transport solutions. Refer also to the description under risk (C), Supplier risks.	▲	n/a

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

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

## Strategic and operational 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 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 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 business' 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 was established for the acquisition, and integration efforts were carried out and completed 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.

### (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 some of the Group's existing warehouses will be replaced in 2023 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 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 information and customer data, as well as ensuring stable IT operations. In the past few years, a continued increase in cybercriminal activity has been observed. Information security is therefore a prioritised area and a natural part of the strategic agenda. Systematic efforts are ongoing at Axfood based on a management system for information security, and the level of protection is continually monitored based on the current threat scenario. Major emphasis is placed on preventive work and the organisation in order to detect, handle and protect the Group's operations from threats and disruptions as well as on ensuring operational continuity in the event of unforeseen events. This also involves continuously working on raising awareness of the risk of operational disruptions or losing sensitive data. During the year, an updated IT security architecture was developed based on Zero Trust, along with an action plan with concrete activities to achieve this.

### (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.

## RISKS AND RISK MANAGEMENT

**(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 the Group's various concepts. The quality assurance process of private label products involves imposing requirements on food and product safety during the manufacturing of goods. The contents of the products, in the form of ingredients and additives, as well as sensory qualities such as taste experience are reviewed and analysed for every individual product.

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 vegetarian 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 the risk of 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. For more information about climate and environmental risks, see the chapter concerning climate-related financial risks and opportunities on pages 104–105.

**(K) Pandemics**

For Axfood, the health and safety of its employees and customers is the top priority, at the same time as the company is to live up to its societal responsibility to deliver food. The Covid-19 pandemic provided lessons when it comes to managing the spread of infection with a number of measures and restrictions of different kinds. Together with a high rate of vaccination among the population, this provides a healthy level of preparedness to respond to any new spread of infection in society. 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.

**(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 128–139.

**(N) The war in Ukraine**

The share of direct purchases from Ukraine is very low in Axfood's supply chain. However, Ukraine is a major supplier of grain and fertiliser, and the situation is therefore impacting Axfood's suppliers. In addition to a raw material shortage, the war has also resulted in increased energy prices, which is also impacting Axfood and Axfood's suppliers. The war has also led to increased logistics challenges throughout the value chain related to matters such as transportation.

## 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 stable at 2–3%. However, in the past few years it has been impacted by the pandemic and substantial food inflation. 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 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 is a strong player in the traditional grocery segment. With Tempo, Handlar'n and Matöppet, Axfood also has a position in mini-marts. Eurocash operates cross-border shopping stores towards Norway, and with its partnership with City Gross, Axfood also has a presence in the hypermarket segment. Middagsfrid simplifies everyday life for online customers with pre-planned meal kits, and with its holding in Mathem, Axfood is also active in pure-play online retail for standard groceries with home delivery. Snabbgross and Urban Deli hold a position in the café and restaurant industry, and Apohem is active in the online pharmacy market. With a clear expansion plan, a focus on the customer meeting in physical stores and 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 Group companies and the central support functions. 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. 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. During the last five years, the dividend yield has averaged closer to 4%. Axfood's gearing is low, and excluding the accounting effects of IFRS 16, the Group's net debt divided by EBITDA amounted to 0.0 at year-end 2022.

### 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 to increase sustainability and competitiveness.

“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, corporate registration number 556542-0824, 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 visitors' address of the head office is Solnavägen 4 in Stockholm and the postal address is SE-107 69 Stockholm. Axfood 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 ultimate group.

## Operations

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

Operations are broken down into four operating segments: Willys, Hemköp, Snabbgross and Dagab. In addition to Willys and Willys Hemma, the Willys segment includes the partly owned Eurocash and the minority stake in City Gross. The Hemköp segment includes the Group-owned Hemköp stores and the central functions that support the Hemköp and Tempo retailer-owned stores. The Snabbgross segment includes the whole-sale business within Snabbgross and the membership-based Snabbgross Club grocery stores. In addition to Dagab's assortment, purchasing and logistics operations, the Dagab segment includes retailer concepts Handlar'n and Matöppet as well as Middagsfrid, Urban Deli and the holding in Apohem. Nearly 65% of Dagab's sales are made to Group-owned stores. Dagab also conducts B2B sales to mini-marts, service stations and other convenience retailers. The Group's segments are described in more detail on pages 42–49. Joint-Group pertains to head office support functions, such as the Executive Committee, Accounting and Finance, Legal Affairs, Communications, Business Development, HR and IT. Development and operation of IT solutions for Axfood's own operations takes place within the IT function.

The number of Group-owned stores at year-end was 325 (316). During the year, nine Group-owned stores were established or acquired. In addition to in-store sales, Willys, Hemköp and Snabbgross also offer online shopping.

Axfood collaborates with a large number of retailer-owned stores that are tied to Axfood through agreements, including stores in Hemköpskedjan, but also stores operating under the Tempo, Handlar'n and Matöppet brands. In all, more than 700 retailer-owned stores are tied to Axfood through agreements.

## Important events

2022 was a year of changing market dynamics. The effects of the pandemic, higher energy and fuel costs, climate change and the ongoing war in Ukraine have caused product supply disruptions, resulting in drastic price increases by suppliers and higher food prices, a trend that accelerated during the year.

On 1 March 2022, Mat.se was sold to Mathem through Axfood's divestment of Mat.se in exchange for shares in Mathem. A strategic partnership was also entered into on the same date through a seven-year delivery and cooperation agreement. Completion of the transaction was subject to approval by the Swedish Competition Authority, which was received on 9 February 2022. The purchase consideration amounted to SEK 688 m on a cash and debt-free basis. The acquired shares in Mathem corresponded to a shareholding of 16.5% of Mathem. Mathem is classified as a financial asset measured at fair value through other comprehensive income.

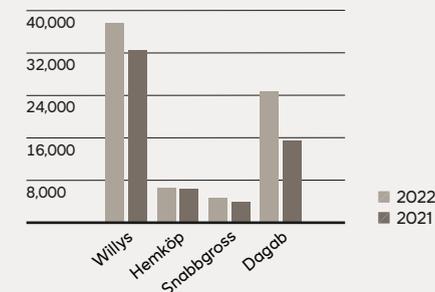
On 26 April 2022, it was announced that the Board of Directors, with the support of the AGM's authorisation, had decided to carry out a rights issue in order to maintain a strong financial position over time. The rights issue comprised 6,972,528 shares with preferential rights for existing shareholders. The subscription price was SEK 215 per share and the subscription period concluded on 23 May 2022. A total of 6,831,824 shares were subscribed for with the support of subscription rights, and the remaining 140,704 shares were allocated to investors who had subscribed for shares without the support of subscription rights. Axfood received SEK 1,499 m from the rights issue before issue costs.

During the autumn, Dagab began relocating to the Group's new highly automated logistics centre in Bålsta. Intensive efforts are under way to ensure a stable transition from its existing warehouse structure to the logistics centre in Bålsta. After thorough testing of all flows, the first deliveries of the dry assortment to stores will take place in early 2023. The logistics centre is expected to be fully operational in early 2024. As of year-end, the logistics centre is recognised in the balance sheet as a right-of-use asset and lease liability. Profit for the year was charged with structural costs relating to the closure of the existing warehouses, which are being replaced by the logistics centre in Bålsta.

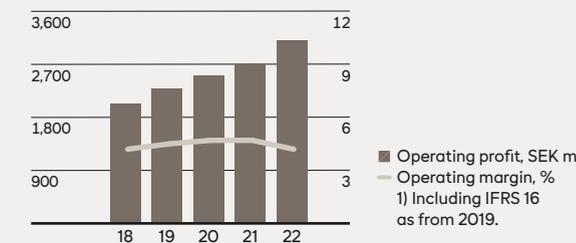
Toward the end of the year, a new, larger nationwide warehouse for fruits and vegetables was officially opened in Landskrona. The new warehouse will be semi-automated, with automation expected to be fully operational in 2024. The new warehouse will replace the existing warehouse in Helsingborg.

A decision was made to delay the establishment of a new, automated e-commerce warehouse in Backa in Gothenburg due to lower growth in e-commerce and the divestment of Mat.se. The planned expansion and automation of the existing high-bay warehouse in Backa remains unchanged.

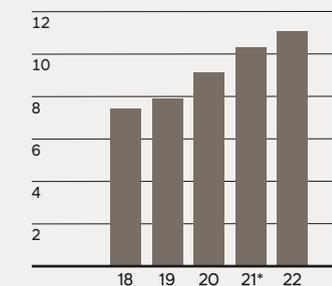
Consolidated external net sales per segment, SEK m



Consolidated operating profit, SEK m, Operating margin, %<sup>1)</sup>



Earnings per share before dilution, SEK



\*Restated for the bonus issue element of the rights issue that was completed in 2022.

## ADMINISTRATION REPORT

### Net sales

Axfood's net sales totalled SEK 73,474 m (57,891), an increase of 26.9% (7.8) compared with the preceding year. Net sales increased in all segments. This increase in sales is attributable to the acquired operations in Bergendahls Food as well as high food price inflation, a continued strong recovery in both cross-border shopping and convenience retail, and higher customer traffic in physical stores.

Store sales accounted for 66% (73) of net sales and external B2B sales for 33% (27). The acquired operations in Bergendahls Food contributed to an increase in external B2B sales. Axfood's retail sales rose 11.9%, with a 10.4% rise in like-for-like sales. Net sales in e-commerce totalled SEK 3,141 m (3,690), a decrease of 14.9% (increase: 31.3). The decrease was 5.7% excluding Mat.se.

### Earnings

Operating profit totalled SEK 3,101 m (2,704), corresponding to an operating margin of 4.2% (4.7). The improvement in operating profit is mainly attributable to higher operating profit for Willys, but also to higher operating profit for other segments. The combination of strong growth in physical stores, the recovery of cross-border shopping, increased volumes from Bergendahls

Food, and healthy cost control in the store chains compensated for increased purchasing prices, higher electricity costs, higher logistics costs and negative currency effects.

Operating profit includes net items of SEK -129 m (14) that have been reclassified as items affecting comparability in the operational earnings monitoring. These items consisted of a capital gain of SEK 221 m for the sale of Mat.se, integration costs of SEK -120 m (-92) for the acquired company Bergendahls Food, structural costs of SEK -263 m (-6) connected to Dagab's restructuring of its logistics operations, and a SEK 33 m (112) payment from Fora/Afa employer's liability insurance based on earlier premium payments.

The tax expense was SEK 564 m (488), corresponding to an effective tax rate of 19.2% (18.9). Effective tax for the year was positively impacted by the tax-exempt capital gain on the sale of Mat.se. In the preceding year, the Group recognised a deferred tax asset pertaining to a tax credit on investments made in 2021 for which tax discounts are expected to apply in 2022, which had a positive impact on tax. Effective tax for the year was thus only marginally impacted by this tax credit.

Profit for the year after tax totalled SEK 2,370 m (2,094) and earnings per share before dilution amounted to SEK 11.04 (10.20).

### Investments

The Group's total capital expenditures amounted to SEK 2,593 m (1,825). Investments for the year include partial payments of SEK 1,141 m (702) pertaining to investments in automation solutions. Investments in right-of-use assets amounted to SEK 4,374 m (1,740), of which SEK 3,092 m (557) pertained to newly acquired assets and SEK 1,282 m (1,184) pertained to revaluations, mainly regarding renewals of existing leases for premises and upward rent indexation. The lease pertaining to the new logistics centre in Bålsta had an impact of SEK 2,340 m on newly acquired assets.

### Employees

The average number of employees during the year was 12,772 (12,202). The gender breakdown among employees was 52% (53) women and 48% (47) men. The share of employees in the retail operations was 65% (67), while the share who work in the wholesale operations was 31% (29).

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, 29% (28) of employees and 17% (16) 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 2022, the share of women on the Executive Committee was 55% (50) and the share of women in management positions was 35% (32).

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.

For more information on the Group's employees, see pages 110–112.

### Material risks

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 of great significance. Axfood breaks down risks into operational, strategic and financial risks. Climate and environmental risks are included in operational risks. In recent years, the risk scenario has been impacted by a number of external factors: first the spread of the Covid-19 pandemic in society and then by the war in Ukraine in 2022. The risks that these external factors have given rise to have been managed within existing organisations without any significant disruptions in operations.

The operational and strategic risks that could have the greatest impact on the Group are IT and information security risks, the risk of disruptions in the logistics chain, and liability and trust risks. Axfood's operational and strategic risks are described on pages 33–36.

### Retail sales

SEK m	2022	2021	Change	Change like-for-like
Willys	37,458	32,426	15.5%	13.5%
Hemköp <sup>1)</sup>	18,263	17,389	5.0%	4.5%
<b>Total</b>	<b>55,721</b>	<b>49,815</b>	<b>11.9%</b>	<b>10.4%</b>

1) Refers to Hemköp (Group-owned and retailer-owned stores) as well as Tempo (2021 restated).

### Change in store structure

Number of stores	31 Dec 2021	New establishments /acquisitions	Sales/closures	Conversions	31 Dec 2022
Willys <sup>1)</sup>	226	6	–	–	232
Hemköp/Tempo, Group-owned stores	63	1	–	0	64
Snabbgross	27	2	–	–	29
<b>Total, Group-owned stores</b>	<b>316</b>	<b>9</b>	<b>–</b>	<b>0</b>	<b>325</b>
Hemköp, retailer-owned stores	134	4	-1	–	137
Tempo, retailer-owned stores	130	2	-1	–	133
<b>Total, retailer-owned stores</b>	<b>264</b>	<b>6</b>	<b>-2</b>	<b>0</b>	<b>268</b>
<b>Total, Group-owned and retailer-owned stores</b>	<b>580</b>	<b>15</b>	<b>-2</b>	<b>–</b>	<b>593</b>

1) Willys, Willys Hemma and Eurocash. see page 42.

## ADMINISTRATION REPORT

Climate and environmental risks are included in operational risks. The risk scenario in this is multi-faceted and covers brand issues, availability of food ingredients as well as costs that may arise as a result of political decisions. One way to address challenges is through purchasing from different production areas. A detailed description of Axfood's work with climate and environmental risks is provided in the Sustainability Report.

Financial risks are described in Note 26.

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

The 2022 AGM resolved to adopt a new long-term share-based incentive programme that runs over a three-year period, LTIP 2022, which in all essential respects corresponds to earlier programmes, with the main adjustments being an increase of the number of participants and savings shares and the fact that a reference group of companies has been identified to measure the share price performance. Allotment was carried out for LTIP 2019 in April 2022 using treasury shares.

To secure the Company's obligations under LTIP 2022, Axfood repurchased 343,000 shares for a total of SEK 100 m during the second quarter, at an average price of SEK 292.04 per share. The holding of treasury shares thereby amounts to 1,037,856 shares, which is sufficient to secure the delivery of shares for all of the Company's incentive programmes.

A proposal has been drafted for the 2023 AGM to introduce a new long-term share-based incentive programme, LTIP 2023, which corresponds in all essential respects to LTIP 2022, with the adjustment that the number of savings shares is reduced. The programme is proposed to include approximately 80 employees.

### Guidelines for remuneration to senior executives

The guidelines for remuneration of senior executives, which were adopted at the 2020 AGM and apply until the 2024 at the latest, are presented in Note 8. New guidelines have been proposed prior to the 2023 AGM and are presented in Note 8. The proposed guidelines do not entail any major changes to the Company's existing remuneration guidelines, but rather are intended to keep the current principles for pension provisions following the introduction of a cap for pension provisions under ITP 1 as of 1 January 2023 and to align the principles for pension provisions for senior executives with ITP 1 and ITP 2.

### Events after the balance sheet date

No significant events have occurred after the end of the balance sheet date.

### 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 128–139, and the scope of the statutory sustainability report is presented in the table on page 122. The Sustainability Report has been reviewed by Axfood's auditors.

### Future development

Axfood's operations are conducted and developed based on a strategy of growth-promoting and efficiency-enhancing focus areas. 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 more stores, the e-commerce roll-out and the establishment of new formats centrally. The Group is made more efficient through a more data-driven work approach and continued development of the logistics solutions of the future. To stay at the forefront, a culture is developed that enables the industry's best employees to be attracted and developed.

Investments in 2023 are expected to amount to between SEK 1,800 and SEK 1,900 m, excluding acquisitions and right-of-use assets. During 2023, Axfood plans to establish 10–15 new stores. Costs affecting comparability of approximately SEK 250 m are expected to be charged against Axfood's operating profit in 2023 to ensure stable operation and a gradual transition from the existing warehouse structure to the new logistics centre in Bålsta in 2023.

### Proposed disposition of profit

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

SEK	
Share premium reserve	1,476,153,002
Profit brought forward	786,519,490
Net profit for the year	1,798,846,187
<b>Total</b>	<b>4,061,518,678</b>

Be disposed as follows:

SEK	
SEK 8.15 per share to be distributed to shareholders	1,758,813,880
To be carried forward	2,302,704,799
<b>Total</b>	<b>4,061,518,678</b>

The dividend is to be split into two payments, SEK 4.15 per share in March 2023 and SEK 4.00 per share in September 2023. The proposed dividend amounts to a total of SEK 1,758,813,880. 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 2020 framework and in part as a result of the proposal for a 2023 LTIP, if adopted by the AGM.

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

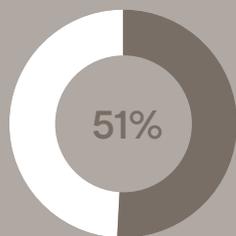
## Willys – leader in the discount segment

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. The operating segment Willys also includes partly owned cross-border grocery chain Eurocash and a minority stake in City Gross.

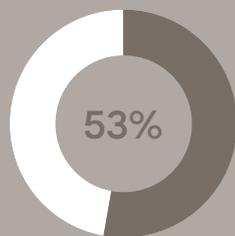
“In a time when households are facing higher costs for electricity, fuel and food, Willys’ offering of Sweden’s cheapest bag of groceries and a broad assortment is even more relevant. We have seen a large influx of new customers during the year.

Thomas Evertsson, Managing Director, Willys

Share of net sales



Share of operating profit



### Willys

- 225 stores, of which 173 Willys and 52 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 149 stores
- Assortment: Willys approx. 9,000 items, Willys Hemma approx. 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 225 stores and e-commerce. The store 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 approximately 3.2 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' smaller concept where customers can find good food at low prices near residential areas, city centres or in smaller cities.



### 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.



### 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.



## ADMINISTRATION REPORT – WILLYS

## Development during the year

Willys continued to strengthen its position, and net sales for the year increased significantly by 15.5% to SEK 37,451 m (32,424), which is more than double the market rate. Like-for-like sales increased 13.5% (0.0). As food price inflation increases, value for money is becoming increasingly relevant to consumers, which is benefiting Willys as Sweden's leading discount player. The Willys chain's strong development during the year was attributable to pricing and volume growth from increased in-store customer traffic. 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 sharply compared with a year ago.

In total, six new stores were established during the year. The number of stores at year-end was 232 (226), of which 225 (219) were Willys and 7 (7) were Eurocash. At year-end, Willys offered online shopping at 149 (126) stores. The share of private label products amounted to 33.1% (32.4).

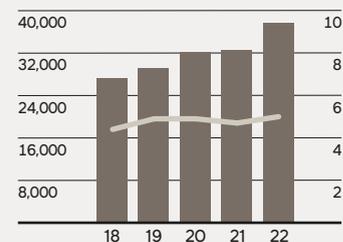
Operating profit amounted to SEK 1,859 m (1,512), corresponding to an operating margin of 5.0% (4.7). The higher operating profit and operating margin were primarily attributable to strong growth in like-for-like sales.

### Business highlights

- The number of members in the Willys Plus loyalty programme increased significantly to approximately 3.2 million at year-end.
- The expansion in e-commerce continued, with a focus on developing the omnichannel experience and Willys Hämta.
- Waste of fruits and vegetables was reduced by more than 1,000 tonnes by offering customers waste-smart bargain boxes. Food waste was further reduced through donations of 175 tonnes of food to charity organisations.
- On 4 October, Eurocash acquired the store Eda Supermarket.
- The conversion of City Gross stores to Axfood's systems and processes was completed.



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	2022	2021	Change
Net sales	37,451	32,424	15.5%
Like-for-like sales growth, %	13.5	0.0	13.5
Operating profit	1,859	1,512	23.0%
Operating margin, %	5.0	4.7	0.3
Group-owned stores, number	232	226	6
Average number of employees during the year	6,669	6,531	138
Private label share, %	33.1	32.4	0.7
Share of sustainability-labelled products, %	27.4	29.6	-2.2

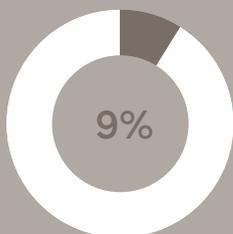
## Hemköp – passion for food and inspiration

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

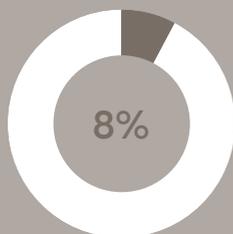
“Focusing on our customer promise, we continued to modernise and develop the assortment. We also developed a new offering of meal solutions, established a clearer price offering and guided customers toward more climate-smart choices.

Simone Margulies, Managing Director, Hemköpskedjan

Share of net sales



Share of operating profit



### Hemköp

- 201 Hemköp stores, of which 64 are Group-owned
- Average retail area: 1,000–1,500 sq. m. (range 400–4,000 sq. m.)
- Online shopping at 68 stores
- 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 201 stores and e-commerce. This combination of operational models, with Group-owned and retailer-owned 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 1.8 million members.



### Tempo

- 131 retailer-owned 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 131 Tempo stores are retailer-owned 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.



ADMINISTRATION REPORT – HEMKÖP

Development during the year

Hemköp's net sales totalled SEK 6,650 m (6,202). Like-for-like retail sales in group-owned stores increased 7.0% (1.3). Retail sales including Hemköp and Tempo franchises amounted to SEK 18,263 m (17,389), an increase of 5.0% compared with the preceding year, which is almost in line with the market. Like-for-like sales increased 4.5% (1.1). Hemköp continuously develops its concept, strengthens its sustainability profile and invests in the business with an increased presence and modernisations of existing stores. As an effect of the recovery after the pandemic, the development in larger stores in central urban locations was more favourable than the development in stores in residential areas and the Tempo chain.

In total, five new Hemköp and two new Tempo stores were established during the year. The number of Hemköp stores at year-end was 201 (197), of which 137 (134) were retailer-owned and 64 (63) were Group-owned. Hemköp offered online shopping at 68 stores (70) at the end of the year. The share of private label products amounted to 26.2% (26.2).

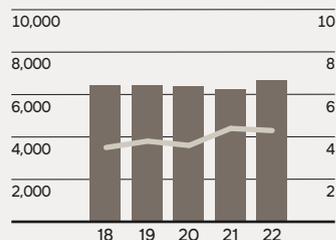
Hemköp's operating profit amounted to SEK 283 m (271), corresponding to an operating margin of 4.3% (4.4). Growth in like-for-like sales was offset by negative mix effects and a higher-than-usual share of sales from campaign goods.

Business highlights

- More members of the Klubb Hemköp loyalty programme and improved customer loyalty.
- A new store concept continued to be rolled out and featured several modernisations.
- Development of the omnichannel experience in e-commerce.
- New launches within meal solutions with a focus on innovation, simplicity and scalability.
- Continued focus on helping customers make sustainable and healthy choices, including in-store guidance about the carbon footprint of products.
- Waste of fruits and vegetables was reduced by almost 700 tonnes by offering customers waste-smart bags. Food waste was further reduced through donations of approximately 40 tonnes of food to charity organisations.



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



■ Net sales, SEK m  
— Operating margin, %  
1) Including IFRS 16 as from 2019

Key ratios, SEK m

SEK m	2022	2021	Change
Net sales	6,650	6,202	7.2%
Like-for-like sales growth, %	4.5	1.1	3.4
Operating profit	283	271	4.7%
Operating margin, %	4.3	4.4	-0.1
Group-owned stores, number	64	63	1
Average number of employees during the year	1,632	1,594	38
Private label share, %	26.2	26.2	-0.0
Share of sustainability-labelled products, %	27.0	28.0	-1.0

## 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. The Snabbgross operating segment also includes the Snabbgross Club concept, which targets consumers.

“ We experienced excellent growth and continued our expansion through the addition of new stores and further development of Snabbgross Club. It is gratifying to see that so many new customers have found us and appreciate our attractively priced assortment.

Eva Pettersson, Managing Director, Snabbgross

### Snabbgross and Snabbgross Club

- 29 stores, of which 5 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.

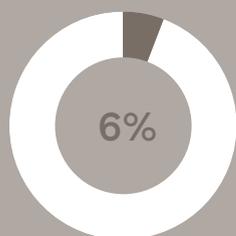
Snabbgross has a unique position in the market, with 29 stores across the country in addition to e-commerce. Owing to a wide assortment of approximately 12,000 items, Snabbgross offers attractively priced, high-quality food products. This is combined with personal service and good accessibility both 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.

### Membership-based consumer concept

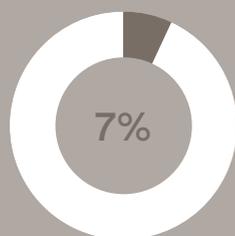
Snabbgross Club is a member-based grocery store where also consumers have the opportunity to purchase directly from the restaurant wholesaler.

Snabbgross Club is a new concept in the Swedish market with five stores. 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 member offers. Private customers need a paid membership to shop. Membership builds loyalty, and the aim is for customers to recover the fee through unique offers, among other things. At year-end, Snabbgross Club had over 40,000 registered members. B2B customers can also shop for member offers.

Share of net sales



Share of operating profit



## ADMINISTRATION REPORT – SNABBGROSS

## Development during the year

Sales at Snabbgross increased sharply during the year by 23.6% to SEK 4,727 m (3,825). Like-for-like sales increased 20.1% (9.3). Snabbgross's strong sales growth was mainly due to the recovery of the café and restaurant market after the pandemic as well as food price inflation. Developments in newly established stores and sales to consumers through the member-based Snabbgross Club store concept also played a role. Snabbgross's accessibility through its store network and attractive customer offerings resulted in an increase in the number of unique customers.

In total, two new stores were established during the year. The number of stores at year-end was 29 (27), of which 5 (2) Snabbgross Club.

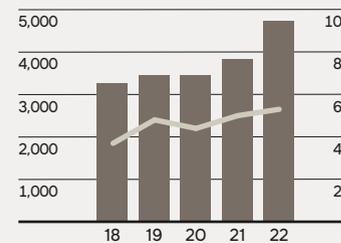
Operating profit amounted to SEK 252 m (193), an increase of 30.5%. The higher operating profit was primarily attributable to strong growth in like-for-like sales. The operating margin was 5.3% (5.0).

## Business highlights

- Development of the Snabbgross Club store concept continued with a new store in Skövde, and conversions of the stores in Jönköping and Sundsvall. Growth in memberships was strong, and the total number of registered private customers was over 40,000 at year-end.
- Continued investments in private label products with the brand Gastrino.
- Increased implementation of digital shelf labels in stores.
- Ambitious sustainability efforts continued, covering everything from reducing food waste and the use of plastics, sustainable stores and environmentally certified electricity to an expanded range of sustainability-labelled products.



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



■ Net sales, SEK m  
— Operating margin, %  
1) Including IFRS 16 as from 2019

Key ratios, SEK m

SEK m	2022	2021	Change
Net sales	4,727	3,825	23.6%
Like-for-like sales growth, %	20.1	9.3	10.8
Operating profit	252	193	30.5%
Operating margin, %	5.3	5.0	0.3
Group-owned stores, number	29	27	2
Average number of employees during the year	524	464	60
Share of sustainability-labelled products, %	18.8	18.6	0.2

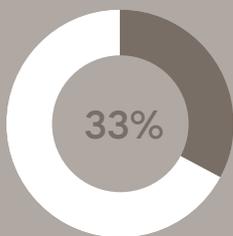
## Dagab – sustainable product supply and more

Dagab handles the assortment, purchasing and logistics for all of Axfood as well as for external B2B customers. The Dagab operating segment includes the retailer concepts Handlar'n and Matöppet as well as Middagsfrid with its pre-planned meal kits, the online pharmacy Apohem, and the Urban Deli restaurant chain.

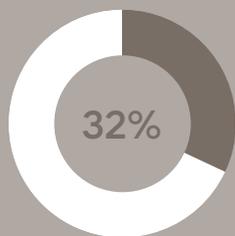
“ We aim to deliver Sweden’s most sustainable, affordable and modern customer offering within food. Over the past year, we continued to implement major structural changes in the logistics operations and welcomed many new customers.

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 6 central and regional warehouses
- Assortment: more than 50,000 items
- Own fleet of 180 heavy-duty trucks and 90 light trucks
- Delivers to more than 7,000 stores and customers throughout all parts of 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 development of private label products takes place. The work is digital and data-driven, governed by customer insights. 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. To further strengthen the base operations, extensive investments are being made into the logistics platform. 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. Large-scale, flexible and customised solutions are created that meet varying needs while at the same time leveraging economies of scale.

**DAGAB**

### Handlar'n

Through 230 retailer-owned mini-marts, Handlar'n offers accessibility and proximity to groceries and services, mainly in the countryside but also in city centres.

### Matöppet

Matöppet is a mini-mart chain with approximately 50 stores that always put the customer first and focus on service and a broad assortment of fresh products.

### 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 16,000 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.



Middagsfrid®



## ADMINISTRATION REPORT – DAGAB

## Development during the year

Dagab's sales for the year totalled SEK 66,999 m (52,295), an increase of 28.1%. Sales growth excluding the acquired Bergendahls Food amounted to 13.9%. The growth in net sales was mainly attributable to the sharp increase in sales to store chains. External sales amounted to SEK 24,509 m (15,360). Bergendahls Food contributed to an increase in external B2B sales. Delivery reliability was significantly lower at 90.6% (95.4), negatively impacted by shortages of goods on the part of suppliers and transport-related disruptions.

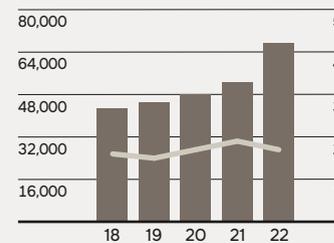
Operating profit amounted to SEK 978 m (932), corresponding to an operating margin of 1.5% (1.8). Operating profit included items affecting comparability of SEK -162 m (-44). These items included a capital gain of SEK 221 m for the sale of Mat.se, integration costs of SEK -120 m (-39) for Bergendahls Food and structural costs of SEK -263 m (-6) connected to the restructuring of the logistics operation. Adjusted operating profit amounted to SEK 1,139 m (976), corresponding to an operating margin of 1.7% (1.9). The higher operating profit was primarily attributable to strong growth. Operating profit was negatively impacted by higher fuel costs, a weaker SEK and higher logistics costs as a result lower delivery reliability.

### Business highlights

- Work on the new, highly automated logistics centre in Bålsta outside Stockholm proceeded according to plan and installation of the automation solution was completed. At the end of the year, deliveries to the logistics centre commenced and inventory began to be filled in the part of the warehouse that handles dry goods.
- The new fruit and vegetable warehouse in Landskrona went into operation towards the end of the year.
- Establishments of large solar panel facilities on the new warehouses.
- On 1 March, Axfood entered 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 green transition of the delivery fleet continued, and the first electric truck and trailer became operational during the year.
- 180 new products were launched within the private label assortment.
- The conversion of the warehouse in Hässleholm and City Gross stores to Axfood's systems and processes was completed.



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	2022	2021	Change
Net sales	66,999	52,295	28.1%
Operating profit	978	932	4.9%
Operating profit excl. items affecting comparability <sup>1)</sup>	1,139	976	16.7%
Operating margin, %	1.5	1.8	-0.3
Operating margin excl. items affecting comparability, % <sup>1)</sup>	1.7	1.9	-0.2
Average number of employees during the year	3,438	3,126	312
Delivery reliability, %	90.6	95.4	-4.8

<sup>1)</sup> Refer to Note 7 for more information.

## FINANCIAL STATEMENTS

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

SEK m	Note	2022	2021
Net sales	3	73,474	57,891
Cost of goods sold	6, 8	-63,392	-48,945
<b>Gross profit</b>		<b>10,083</b>	<b>8,946</b>
Selling expenses	6, 8	-3,620	-3,428
Administrative expenses	6, 8, 9	-4,239	-3,448
Share of profit/loss in associated companies and joint ventures	21	-66	-46
Other operating income		1,034	788
Other operating expenses	6	-92	-108
<b>Operating profit</b>	<b>3</b>	<b>3,101</b>	<b>2,704</b>
Interest income and similar profit/loss items	13	26	12
Interest expense and similar profit/loss items	13	-193	-134
<b>Net financial items</b>		<b>-166</b>	<b>-122</b>
<b>Profit before tax</b>		<b>2,935</b>	<b>2,582</b>
Current tax	16	-435	-491
Deferred tax	16	-130	3
<b>Net profit for the year</b>		<b>2,370</b>	<b>2,094</b>

SEK m	Note	2022	2021
<b>Other comprehensive income</b>			
<i>Items that cannot be reclassified to profit or loss for the period</i>			
Revaluation defined benefit pensions	24	89	12
Change in holdings measured at fair value	25	-635	-
Tax	16	-18	-2
<i>Items that can be reclassified to profit or loss for the period</i>			
Change in hedging reserve	26	108	54
Tax	16	-22	-11
<b>Other comprehensive income for the year</b>		<b>-479</b>	<b>52</b>
<b>Comprehensive income for the year</b>		<b>1,892</b>	<b>2,146</b>
<b>Net profit for the year attributable to:</b>			
Owners of the parent		2,360	2,150
Non-controlling interests		10	-56
<b>Net profit for the year</b>		<b>2,370</b>	<b>2,094</b>
<b>Comprehensive income for the year attributable to:</b>			
Owners of the parent		1,882	2,202
Non-controlling interests		10	-56
<b>Comprehensive income for the year</b>		<b>1,892</b>	<b>2,146</b>
Earnings per share before dilution, SEK <sup>1)</sup>	15	11.04	10.20
Earnings per share after dilution, SEK <sup>1)</sup>	15	10.99	10.16

1) Comparison figures were restated for the bonus issue element of the rights issue that was completed in the second quarter of 2022.

## FINANCIAL STATEMENTS

## Statement of financial position Group

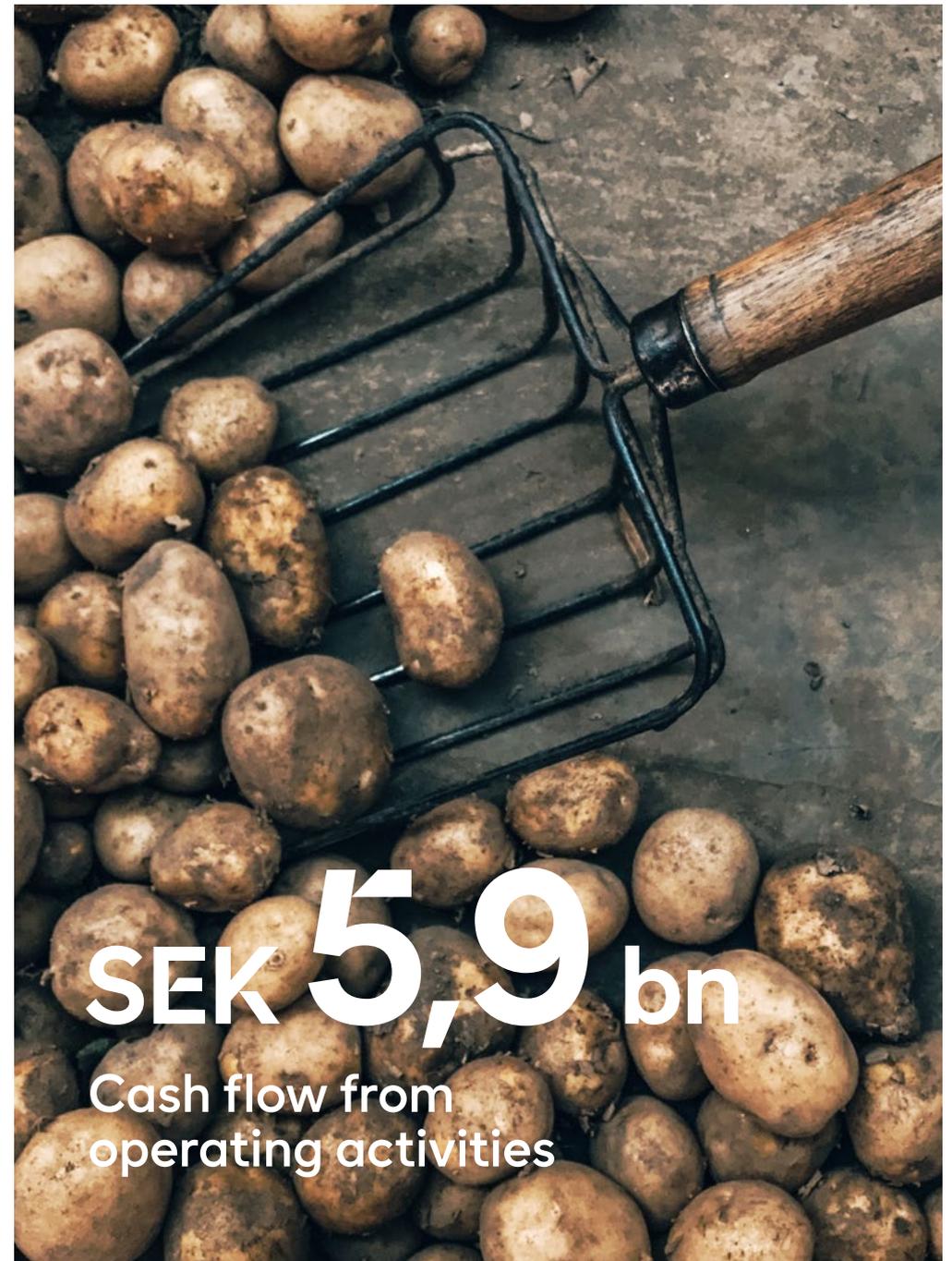
SEK m	Note	31 Dec 2022	31 Dec 2021
<b>Assets</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>	17		
Goodwill		3,526	3,846
Other intangible assets		1,464	1,449
		<b>4,990</b>	<b>5,295</b>
<i>Property, plant and equipment</i>	18		
Land and buildings		224	144
Equipment, tools, fixtures and fittings		2,431	2,246
Construction in progress		2,640	1,425
		<b>5,294</b>	<b>3,815</b>
Right-of-use assets	11	9,025	6,384
<i>Financial assets</i>			
Participations in associated companies and joint ventures	21	372	379
Other long-term securities holdings	25	206	0
Other non-current receivables	25, 27	20	6
		<b>598</b>	<b>385</b>
Deferred tax assets	16	253	346
<b>Total non-current assets</b>		<b>20,159</b>	<b>16,225</b>
<b>Current assets</b>			
Inventories		3,839	3,136
<i>Current receivables</i>			
Trade receivables	25, 26	2,143	2,292
Current tax asset		40	-
Other current receivables	25	450	148
Prepaid expenses and accrued income	22	1,428	1,196
		<b>4,060</b>	<b>3,636</b>
Cash and cash equivalents	25, 27	559	734
<b>Total current assets</b>		<b>8,459</b>	<b>7,506</b>
<b>Total assets</b>		<b>28,618</b>	<b>23,731</b>

SEK m	Note	31 Dec 2022	31 Dec 2021
<b>Equity and liabilities</b>			
<b>Equity</b>			
	23		
Share capital		271	262
Other capital contributions		1,973	496
Reserves		46	-40
Profit brought forward		4,319	4,233
		<b>6,609</b>	<b>4,952</b>
Non-controlling interests		292	224
<b>Total equity</b>		<b>6,901</b>	<b>5,176</b>
<b>Non-current liabilities</b>			
Non-current lease liabilities	11, 25, 26, 27	7,388	4,856
Provisions for pensions	24, 27	292	371
Deferred tax liabilities	16	1,289	1,212
Other non-current liabilities	25	6	57
<b>Total non-current liabilities</b>		<b>8,975</b>	<b>6,496</b>
<b>Current liabilities</b>			
Current lease liabilities	11, 25, 26, 27	1,662	1,548
Current interest-bearing liabilities	25, 26, 27	200	1,600
Trade payables	25, 26	7,190	5,845
Current tax liabilities		-	94
Other current liabilities	25	469	431
Accrued expenses and deferred income	28	3,221	2,541
<b>Total current liabilities</b>		<b>12,743</b>	<b>12,059</b>
<b>Total equity and liabilities</b>		<b>28,618</b>	<b>23,731</b>

## FINANCIAL STATEMENTS

## Statement of cash flows Group

SEK m	Note	2022	2021
<b>Operating activities</b>			
Operating profit		3,101	2,704
Depreciation/amortisation/impairment	10, 11, 17	2,615	2,399
Interest paid		-167	-124
Interest received		12	4
Adjustments for non-cash items		-125	62
Paid tax		-568	-406
<b>Cash flow from operating activities before changes in working capital</b>		<b>4,869</b>	<b>4,639</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		-724	-138
Change in current receivables		-340	-467
Change in current liabilities		2,122	556
<b>Cash flow from operating activities</b>		<b>5,927</b>	<b>4,590</b>
<b>Investing activities</b>			
Acquisitions of intangible assets		-374	-309
Acquisitions of property, plant and equipment		-2,219	-1,516
Acquisitions of operations	4	10	-1,633
Sales of operations	4	-38	7
Sales of property, plant and equipment		-1	6
Acquisitions of financial assets		-156	-397
<b>Cash flow from investing activities</b>		<b>-2,778</b>	<b>-3,842</b>
<b>Financing activities</b>			
Issue of shares		1,485	-
Loans raised		663	1,900
Amortisation of loans		-2,063	-300
Amortisation of lease liability		-1,707	-1,578
Shareholder contribution from minority owners		59	49
Share repurchases		-115	-50
Dividend paid out		-1,646	-1,569
<b>Cash flow from financing activities</b>		<b>-3,324</b>	<b>-1,548</b>
<b>Cash flow for the year</b>		<b>-175</b>	<b>-800</b>
Cash and cash equivalents at start of year		734	1,534
Cash and cash equivalents at year-end		559	734



SEK 5,9 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 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/loss 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>
<b>Opening equity 2022</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>
Net profit/loss for the year	-	-	-	2,360	2,360	10	2,370
Other comprehensive income for the year	-	-	86	-565	-479	-	-479
<b>Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>86</b>	<b>1,796</b>	<b>1,882</b>	<b>10</b>	<b>1,892</b>
Shareholder dividend	-	-	-	-1,646	-1,646	-	-1,646
Share repurchases	-	-	-	-115	-115	-	-115
Share-based payments	-	-	-	50	50	-	50
Shareholder contribution from minority owners	-	-	-	-	-	59	59
Rights issue	9	1,490	-	-	1,499	-	1,499
Issue costs	-	-14	-	-	-14	-	-14
<b>Closing equity 2022</b>	<b>271</b>	<b>1,973</b>	<b>46</b>	<b>4,319</b>	<b>6,609</b>	<b>292</b>	<b>6,901</b>

## FINANCIAL STATEMENTS

## Income statement Parent Company

SEK m	Note	2022	2021
Net sales		8	7
Selling expenses		-2	-1
Administrative expenses	5, 8, 9, 10	-512	-428
Other operating income	5	301	271
<b>Operating loss</b>		<b>-205</b>	<b>-152</b>
Interest income and similar profit/loss items	13	282	7
Interest expense and similar profit/loss items	13	-21	-12
<b>Loss after financial items</b>		<b>56</b>	<b>-156</b>
Appropriations	14	2,154	2,326
<b>Profit before tax</b>		<b>2,209</b>	<b>2,170</b>
Current tax	16	-412	-455
Deferred tax	16	2	-1
<b>Net profit for the year</b>		<b>1,799</b>	<b>1,714</b>

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



## FINANCIAL STATEMENTS

## Balance sheet Parent Company

SEK m	Note	31 Dec 2022	31 Dec 2021
<b>Assets</b>			
<b>Property, plant and equipment</b>			
Equipment, tools, fixtures and fittings	18	33	37
		<b>33</b>	<b>37</b>
<b>Financial assets</b>			
Participations in Group companies	20	4,389	3,529
Participations in associated companies	21	–	11
Deferred tax assets	16	8	6
Other non-current receivables		1	1
		<b>4,398</b>	<b>3,547</b>
<b>Total non-current assets</b>		<b>4,431</b>	<b>3,584</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Trade receivables		4	2
Receivables from Group companies	27	6,244	6,481
Other current receivables		0	0
Prepaid expenses and accrued income	22	25	35
		<b>6,272</b>	<b>6,518</b>
Cash and bank balances	27	96	321
<b>Total current assets</b>		<b>6,368</b>	<b>6,838</b>
<b>Total assets</b>		<b>10,799</b>	<b>10,423</b>

SEK m	Note	31 Dec 2022	31 Dec 2021
<b>Equity and liabilities</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		271	262
Revaluation reserve		25	25
		<b>296</b>	<b>287</b>
<i>Non-restricted equity</i>			
Share premium reserve		1,476	–
Profit brought forward		787	783
Net profit for the year		1,799	1,714
		<b>4,062</b>	<b>2,497</b>
<b>Total equity</b>		<b>4,358</b>	<b>2,784</b>
<b>Untaxed reserves</b>	14	<b>3,661</b>	<b>3,487</b>
<b>Provisions</b>			
Provisions for pensions	24, 27	6	10
		<b>6</b>	<b>10</b>
<b>Non-current liabilities</b>			
Other non-current liabilities		8	4
		<b>8</b>	<b>4</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	27	200	1,600
Trade payables		18	20
Liabilities to Group companies	27	2,363	2,277
Current tax liabilities		59	150
Other current liabilities		11	15
Accrued expenses and deferred income	28	117	76
		<b>2,767</b>	<b>4,138</b>
<b>Total equity and liabilities</b>		<b>10,799</b>	<b>10,423</b>

## FINANCIAL STATEMENTS

## Cash flow statement Parent Company

SEK m	2022	2021
<b>Operating activities</b>		
Loss before financial items	-205	-152
Interest paid	-21	-12
Interest received	27	7
Dividends from participations in Group companies	255	-
Depreciation/amortisation	8	7
Adjustments for non-cash items	23	-37
Paid tax	-503	-382
<b>Cash flow from operating activities before changes in working capital</b>	<b>-416</b>	<b>-567</b>
<b>Cash flow from changes in working capital</b>		
Change in current receivables	4	-1,691
Change in current liabilities	69	-896
<b>Cash flow from operating activities</b>	<b>-344</b>	<b>-3,155</b>
<b>Investing activities</b>		
Acquisitions of property, plant and equipment	-5	-13
Sales of property, plant and equipment	0	4
Acquisitions of financial assets	-832	-6
Divestment of financial assets	11	-
<b>Cash flow from investing activities</b>	<b>-826</b>	<b>-15</b>
<b>Financing activities</b>		
Issue of shares	1,485	-
Loans raised	663	1,900
Amortisation of loans	-2,063	-300
Dividend	-1,646	-1,569
Share repurchases	-115	-50
Group contribution received	2,641	2,367
Group contribution paid	-21	-
<b>Cash flow from financing activities</b>	<b>945</b>	<b>2,349</b>
<b>Cash flow for the year</b>	<b>-224</b>	<b>-821</b>
Cash and cash equivalents at start of year	321	1,141
Cash and cash equivalents at year-end	96	321

## Equity Parent Company

SEK m	Restricted equity		Non-restricted equity		Total equity
	Share capital	Revaluation reserve	Share premium reserve	Profit brought forward	Total
<b>Opening equity 2021</b>	<b>262</b>	<b>25</b>	<b>-</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>-</b>	<b>2,497</b>	<b>2,784</b>
<b>Opening equity 2022</b>	<b>262</b>	<b>25</b>	<b>-</b>	<b>2,497</b>	<b>2,784</b>
Net profit for the year	-	-	-	1,799	1,799
Rights issue	9	-	1,490	-	1,499
Issue costs	-	-	-14	-	-14
Shareholder dividend	-	-	-	-1,646	-1,646
Share repurchases	-	-	-	-115	-115
Share-based payments	-	-	-	50	50
<b>Closing equity 2022</b>	<b>271</b>	<b>25</b>	<b>1,476</b>	<b>2,585</b>	<b>4,358</b>

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

## NOTES

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## NOTES

# Notes to the financial statements

## 1. Accounting policies

Axfood 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 and the visitors' address is Solnavägen 4.

The consolidated financial statements comprise the Parent Company Axfood AB and the subsidiaries over which the Parent Company has control.

Axfood 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 ultimate group.

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors and President on 17 February 2023. 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 22 March 2023.

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 under the section Parent Company accounting policies.

### Basis of preparation of the financial statements

The consolidated financial statements are based on historical cost, with certain exceptions presented in the accounting policies.

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 presented in SEK. All amounts are rounded off to the nearest million kronor, unless stated otherwise.

### 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.

### Application of new and amended accounting policies

There are no new IFRS that have been endorsed for application from 2022 and forward. A few amendments have been made to standards endorsed for application from 2022 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. The forthcoming amendment to IAS 12 concerning deferred tax related to right-of-use assets and lease liabilities will only impact the disclosure requirements in Note.

### Classification of assets and liabilities

Assets and liabilities that fall due for payment within 12 months of the end of the reporting period are classified as current. Assets and liabilities that do not fall due for payment within 12 months of the end of the reporting period are classified as non-current.

### 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 Axfood. The chief operating decision-maker has been identified as the Executive Committee, which evaluates the results and allocates resources to the operating segments.

The operating segments that have been identified are Willys, Hemköp, Snabbgross and Dagab. Joint-Group pertains to head office support func-

tions, such as the Executive Committee, Accounting and Finance, Legal Affairs, Communications, Business Development, HR and IT. The Executive Committee reviews the segments' operating profit or loss, both including and excluding items affecting comparability. Items affecting comparability refer to financial effects in conjunction with major acquisitions and divestments or other major structural changes and material non-recurring items that are significant for comparisons between periods. Items affecting comparability are only included in the operational monitoring of the Group's operating segments, not in the statutory reporting.

### Principles of consolidation and business combinations *Subsidiaries*

Subsidiaries are all companies in which the Parent Company, Axfood AB, directly or indirectly has control. Control exists when Axfood is exposed, or has the right, to variable returns from its involvement in the company and has the ability to use its control over the company to affect those returns.

The purchase method was used to recognise the Group's business combinations. The purchase consideration 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.

Subsidiaries are recognised in the consolidated financial statements from the date on which control is transferred to the Group and are derecognised from the consolidated financial statements from the date on which control ceases.

### *Associated companies and joint ventures*

Associated companies are companies over which the Group has a significant but non-controlling influence, typically through a holding of between 20% and 50% of the votes but also through other contractual relationships. Joint ventures refer to companies over which the Group has joint control through a joint arrangement. Participations in associated companies and joint ventures are recognised in accordance with the equity method.

## NOTES

Note 1, cont.

### Transactions eliminated upon consolidation

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

### Revenue

The Group conducts retail trade through the Hemköp, Willys and Eurocash 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 and revenue is recognised when the product is delivered 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 takes place in connection with delivery, and the terms of payment are normally ten 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. Sales are also made with deliveries to customers, with invoicing taking place 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 Axfod's total sales.

### Leases

When a contract is entered into, the Group identifies whether the contract is, or contains, a lease. For leases that include 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 expected useful life and the lease term on a straight-line basis.

The lease liability 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. The incremental borrowing rate is allocated to different terms, depending upon how long the lease is. 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.

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, such as turnover-based rent payments.

### 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 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 pay-

ments 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.

Financial expenses consist primarily of interest expenses on leases, loans, pension liabilities and other financial expenses. Borrowing costs are recognised in profit or loss using the effective interest method.

### 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. Recognition of forward exchange contracts is described under 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 relating to 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 and trademarks

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.

## NOTES

Note 1, cont.

Trademarks are measured at cost less any accumulated impairment and are tested at least once a year for impairment.

Goodwill and trademarks have indefinite useful lives and are not depreciated.

#### Development costs

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 and the product or process will generate probably future economic benefits. 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 consist largely of customer relationships and capitalised costs for IT development.

Intangible assets with definite useful lives are recognised at cost after deducting accumulated depreciation and any impairment. 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 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 is done on a straight-line basis over the estimated useful life of the assets. Land is not depreciated. Useful life for improvement expenses for another party's property is based on the remaining lease term for the underlying lease. 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%

#### Impairment

Goodwill, intangible assets that have not yet been put in use and other intangible assets with an indefinite useful life are 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. Other non-current assets are tested for impairment 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 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.

#### Financial instruments

Financial assets are 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 liabilities are classified as measured at amortised cost or at fair value through profit or loss.

On initial recognition, an irrevocable choice can be made for individual investments in equity instruments that would otherwise be measured at fair value to recognise subsequent changes in fair value in other comprehensive income. Axford's holding in Mathem is classified as a financial asset measured at fair value through other comprehensive income.

Financial assets are not reclassified after initial recognition unless the Group changes its business model for management of financial assets.

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 (refer to Note 26).

All borrowings are recognised at amortised cost according to the effective interest method.

#### 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 in profit or loss. For hedged, forecast transactions, the accumulated amount in the hedging 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 profit or loss.

#### 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, other direct costs for bringing the products to their current location and condition are also included. Cost is calculated through application of the first-in first-out (FIFO) principle. Net realisable value consists of the anticipated sales price in the continuing operations less selling expenses.

#### Provisions

Provisions are recognised in an amount that corresponds to the best estimate of the outflow of resources that will be required to settle a legal or constructive 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 provi-

## NOTES

*Note 1, cont.*

sion 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**

Axfood has both defined contribution and defined benefit pension plans.

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

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 the Company's 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 entitle the participants to performance shares provided that the participants remain employed and have purchased and retain a certain number of shares in Axfood ("savings shares") during the term of the programme, and that the performance targets are met.

The fair value of the share rights that the employee receives is calculated on the allotment date according to a calculation model based on Monte Carlo

simulations. The share rights are valued based on the share price on the allotment date for the share rights. Insofar as the vesting terms of the programme are linked to market conditions, these are taken into consideration when determining the fair value of the share rights. Conditions other than market conditions impact the personnel cost during the vesting period in the form of a change in the number of shares the employee is expected to receive. The calculated dividend is taken into account in the calculation model.

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, and social security contributions are measured based on the share price on the accounting date. Share repurchases carried out to fulfil the delivery obligation under outstanding share-based programmes are recognised in equity.

**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. Axfood's cash and cash equivalents include cash on hand and bank balances.

**Parent Company accounting policies**

The Parent Company reports in accordance with the Swedish Annual Accounts Act (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 stated otherwise below, the Parent Company's accounting policies in 2022 have changed in accordance with what is stated above for the Group.

**Changed accounting policies 2023 and later**

See the changed accounting policies for the Group. The forthcoming amendment to IAS 12 will have no effect on the Parent Company as the Parent Company does not apply IFRS 16 Leases.

**Classification and presentation format**

The Parent Company's income statement and balance sheet are presented in accordance with the format prescribed in the Swedish Annual Accounts Act. 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 prerequisite for the right to deduct taxes. The most significant differences compared with the rules in IAS 19 concern how the discount rate is determined, that calculation of the defined benefit obligation is done based on current salary levels without assumptions 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 pertaining to financial guarantee agreements pledged for the benefit of subsidiaries and associated companies.

**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.

## NOTES

## 2. Key estimates and assessments

### Assumptions for impairment testing

In calculating cash-generating units' recoverable amount in connection with testing goodwill for impairment, a number of assumptions were made about future conditions and estimates of parameters, which are presented in Note 17. As stated 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.

Axfood's climate and environmental targets require that certain costs and investments be incurred to handle the necessary transitions. The Executive Committee's assessment is that Axfood's operations are not facing any climate and environment-related transitions that could have a material impact on the value of the Group's assets. Replacement of, for example, refrigeration and heating systems in stores and diversifying the Group's vehicle fleet takes place gradually and to the extent possible as existing inventory reaches the end of its useful life.

### Assumptions for calculations of pension provisions

The actuarial computation of pension obligations and pension costs is based on actuarial assumptions, which are specified in Note 24. A change in any of these assumptions could have a material effect on calculated pension obligations and pension costs, which is shown in the sensitivity analysis in Note 24. The discount rate is based on the return for long-term home mortgage bonds with a term that corresponds to the Group's average remaining duration of its obligations, which in Axfood's case amounts to 11 years. All obligations are locked, which for Axfood's part entails that all new vesting now takes place in the Alecta system. 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. Whether or not it is reasonably certain that an option will be exercised is determined on the commencement date of the lease. Since the initial lease terms are often long and it is not unusual for one of the parties to give notice of renegotiation in conjunction with the end of the lease term and the rent to be paid in the next period is therefore unknown until these renegotiations are completed, these options are not usually taken into consideration on the commencement date of the lease. The Group regularly reconsiders whether or not it is reasonably certain that an option will be exercised, for example, in connection with major premises renovations. At the latest, an extension of a lease is made in connection with the option's expiration.

#### Discount rate

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

#### Guarantee commitments

Axfood AB has a guarantee commitment with NREP 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. The Group's segments are described on pages 42-49. Joint-Group pertains to head office support functions, such as the Executive Committee, Accounting and Finance, Legal Affairs, Communications, Business Development, HR and IT.

SEK m	Willys		Hemköp		Snabbgross		Dagab <sup>1)</sup>		Joint-Group		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
External net sales	37,451	32,424	6,650	6,202	4,725	3,823	24,509	15,360	140	82			73,474	57,891
Internal net sales	-	-	-	-	2	2	42,490	36,935	1,095	976	-43,587	-37,914	-	-
<b>Net sales</b>	<b>37,451</b>	<b>32,424</b>	<b>6,650</b>	<b>6,202</b>	<b>4,727</b>	<b>3,825</b>	<b>66,999</b>	<b>52,295</b>	<b>1,234</b>	<b>1,059</b>	<b>-43,587</b>	<b>-37,914</b>	<b>73,474</b>	<b>57,891</b>
Depreciation of property, plant and equipment, and amortisation of intangible non-current assets	-312	-296	-106	-107	-35	-28	-170	-145	-264	-257			-886	-834
Depreciation of right-of-use assets	-877	-838	-362	-352	-88	-77	-317	-251	-49	-47			-1,694	-1,565
<b>Total depreciation/amortisation</b>	<b>-1,189</b>	<b>-1,135</b>	<b>-468</b>	<b>-460</b>	<b>-124</b>	<b>-104</b>	<b>-486</b>	<b>-396</b>	<b>-314</b>	<b>-305</b>			<b>-2,580</b>	<b>-2,399</b>
Share of profit in associated companies and joint ventures	-7	1	-	-	-	-	-58	-42	-1	-5			-66	-46
Operating profit excl. items affecting comparability	1,859	1,512	283	271	252	193	1,139	976	-303	-262			3,229	2,690
Items affecting comparability	-	-	-	-	-	-	-162	-44	33	59			-129	14
Operating profit/loss	1,859	1,512	283	271	252	193	978	932	-270	-203			3,101	2,704
Financial items, net													-166	-122
Consolidated profit before tax													2,935	2,582
<b>Other disclosures</b>														
Investments in non-current assets	527	438	117	88	52	50	1,493	843	404	406			2,593	1,825
Investments in right-of-use assets	1,310	902	313	268	175	79	2,564	283	11	208			4,374	1,740
<b>Total investments in non-current assets</b>	<b>1,837</b>	<b>1,339</b>	<b>430</b>	<b>355</b>	<b>227</b>	<b>129</b>	<b>4,057</b>	<b>1,127</b>	<b>416</b>	<b>615</b>			<b>6,967</b>	<b>3,565</b>

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

## NOTES

## 4. Acquired and divested operations

### Acquired operations

Axfood did not carry out any material acquisitions during the year.

### Acquired operations in the preceding year

In 2021, Axfood acquired all of the shares in Bergendahl Food AB. The acquisition was completed on 1 October 2021, and Bergendahl Food AB was consolidated as of this date. Bergendahls Food is included in the Dagab segment.

The final purchase consideration for Bergendahl Food AB was set to SEK 1,621 m (1,633) during the second quarter of 2022. The fair value according to the finalised purchase price allocation is presented in the table below.

#### Fair value according to 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	1,000
<b>Total acquired identifiable net assets including goodwill</b>	<b>1,881</b>
<b>Purchase consideration paid</b>	<b>1,881</b>
Cash and cash equivalents in Bergendahl Food AB	-260
<b>Change in consolidated cash and cash equivalents</b>	<b>1,621</b>

### Divested operations

During the year, 1 (5) store operation was sold. The store operation pertained to the sale of a company to the independent retailer. Cash flow from sales of store operations during the year amounted to SEK 2 m (7).

In December 2021, Axfood announced that they had entered into a strategic partnership with Mathem, with Axfood divesting Mat.se in exchange for shares in Mathem, corresponding to a shareholding of 16.5%. Completion of the acquisition was subject to approval by the Swedish Competition Authority, which was obtained on 9 February 2022, and on 1 March 2022, Mat.se was sold to Mathem. The purchase consideration amounted to SEK 688 m on a cash and debt-free basis. The capital gain from the divestment of Mat.se amounted to SEK 221 m and was recognised in other operating income. Cash flow from the sale of Mat.se amounted to SEK -51 m, corresponding to the cash and cash equivalents included in the sale.

## 5. Intra-Group purchases and sales

The Parent Company's revenue from Group companies amounted to SEK 284 m (262). The Parent Company's expenses from Group companies amounted to SEK 82 m (88). 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.

## 6. Allocation of costs by type of cost

Group SEK m	2022	2021
Cost of goods for resale	54,733	41,998
Personnel costs	8,530	7,916
Depreciation/amortisation/impairment	2,615	2,399
Other	5,464	3,616
<b>Total</b>	<b>71,342</b>	<b>55,930</b>

## NOTES

## 7. Items affecting comparability

SEK m	2022	2021
Acquisition costs	-	-54
Integration costs	-120	-39
Structural costs	-263	-6
Capital gain	221	-
Fora/AFA	33	112
<b>Total</b>	<b>-129</b>	<b>14</b>

Integration costs totalled SEK -120 m (-39) and pertained in their entirety to the integration of Bergendahls Food. Integration costs consisted primarily of costs for external consultants and parallel IT operations. The costs are recognised in other operating expenses as well as administrative expenses. Last year there were also SEK -54 m in acquisition costs for financial and legal consulting in connection with the acquisition of Bergendahl Food AB. These were included in other operating expenses.

Structural costs amounted to SEK -263 m (-6) and pertained to costs connected with the restructuring of Dagab's logistics operation. Structural costs comprise costs for premises and personnel costs, and are primarily included in the cost of goods sold as well as partially in administrative expenses and selling expenses.

The capital gain of SEK 221 m (-) pertains to earnings from the divestment of Mat.se, which is recognised in other operating income.

Fora/AFA amounted to SEK 33 m (112) and pertained to payments received from Fora/AFA employer's liability insurance based on earlier premium payments. Revenue is included in other operating income.

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

	2022			2021		
	Women	Men	Total	Women	Men	Total
<b>Average number of employees<sup>1)</sup></b>						
<b>Parent Company</b>						
Average number of employees	163	60	223	160	55	215
<b>Subsidiaries</b>						
Average number of employees	6,474	6,075	12,549	6,297	5,690	11,987
<b>Total, Group</b>	<b>6,637</b>	<b>6,135</b>	<b>12,772</b>	<b>6,457</b>	<b>5,745</b>	<b>12,202</b>

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

<b>Gender breakdown of the Board of Directors and senior executives in the Group</b>	2022		2021	
	Women	Men	Women	Men
Board of Directors, Parent Company	43%	57%	43%	57%
Executive Committee	55%	45%	50%	50%

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

<b>Expensed salaries, other remuneration and social security expenses</b>	2022			2021		
	Salaries and remuneration	Social security expenses	Of which, pension costs	Salaries and remuneration	Social security expenses	Of which, pension costs
Parent Company	179	106	35	168	85	32
Subsidiaries	5,593	2,106	443	5,063	1,876	423
<b>Total, Group</b>	<b>5,771</b>	<b>2,211</b>	<b>477</b>	<b>5,231</b>	<b>1,961</b>	<b>456</b>

## NOTES

Note 8, cont.

Board of Directors, Parent Company Expensed remuneration to members of the Board of Directors, KSEK	2022			2021		
	Directors' fees	Committee fees	Total fees	Directors' fees	Committee fees	Total fees
Mia Brunell Livfors (Chairman of the Board)	765	56	821	744	-	744
Lars Olofsson (Vice Chairman of the Board) <sup>3)</sup>	-	-	-	139	-	139
Stina Andersson <sup>1)</sup>	119	19	138	471	75	546
Fabian Bengtsson	486	-	486	471	-	471
Caroline Berg	486	38	524	471	-	471
Jesper Lien <sup>3)</sup>	-	-	-	115	-	115
Christian Luiga	486	188	674	471	150	621
Peter Ruzicka <sup>4)</sup>	486	38	524	356	-	356
Christer Åberg	486	94	580	471	75	546
Sara Öhrvall <sup>2)</sup>	368	75	443	-	-	-
Anders Helsing (employee representative)	-	-	-	-	-	-
Michael Sjöörn (employee representative)	-	-	-	-	-	-
Lars Östberg (employee representative)	-	-	-	-	-	-
<b>Total</b>	<b>3,683</b>	<b>506</b>	<b>4,189</b>	<b>3,710</b>	<b>300</b>	<b>4,010</b>

1) Resigned in connection with the 2022 AGM. 2) Newly elected in connection with the 2022 AGM.

3) Resigned in connection with the 2021 AGM. 4) 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 and the Remuneration Committee. Employee representatives do not receive any directors' fees. According to a resolution by the 2022 AGM, the annual fee payable to directors was set at KSEK 3,710 (3,600), of which KSEK 770 (750)

is payable to the Chairman. Fees for the Audit Committee for 2022 were set at KSEK 400 (300), of which KSEK 200 (150) pertains to the fee for the Chairman of the committee. Fees for the Remuneration Committee for 2022 were set at KSEK 175 (-), of which KSEK 75 (-) pertains to the fee for the Chairman of the committee. 75% of the total fees were paid out in 2022, with the remainder paid out after year-end.

### Senior executives

The Executive Committee consists of 11 (10) individuals. For the composition of the Executive Committee, see page 139.

Expensed remuneration and other benefits	Base salary		Variable remuneration		Others remuneration and benefits		Pension cost		Total		Share-based payments <sup>2)</sup>	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
President	8,451	7,907	4,670	4,752	200	199	3,201	2,831	16,521	15,689	6,694	5,987
Other senior executives, Executive Committee <sup>1)</sup>	28,395	24,933	12,573	10,497	980	928	9,210	8,093	51,158	44,451	17,983	11,054
<b>Total</b>	<b>36,845</b>	<b>32,840</b>	<b>17,243</b>	<b>15,249</b>	<b>1,180</b>	<b>1,127</b>	<b>12,411</b>	<b>10,924</b>	<b>67,679</b>	<b>60,140</b>	<b>24,677</b>	<b>17,041</b>

1) Of expensed remuneration and benefits, KSEK 32,110 (27,228) 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 2020, LTIP 2021 and LTIP 2022, which will be settled in 2023 and later, and the year's expensed outcome for LTIP 2019, which was settled in April 2022.

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. Short-term variable remuneration is expensed during the financial year and is paid out after the annual report has been adopted by the AGM.

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 a senior executive, the notice period may be a maximum of six months, without any right to severance pay.

Axfod applies a retirement age of 65 for all senior executives. The basic pension benefit consists of the ITP plan, where six members of the Executive Committee 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. Variable remuneration can amount to a maximum of 60% of annual salary. Set variable remuneration is paid out in full 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 Axfod 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.

### Guidelines for remuneration to senior executives

The 2020 AGM resolved on guidelines for remuneration for senior executives for the period up until the 2024 AGM at the latest. These guidelines are presented in their entirety on pages 68-69. The guidelines adopted by the 2020 AGM have been followed, and all previously decided remuneration not yet paid out is within the framework specified in the guidelines. The proposal for new guidelines to be adopted by the 2023 AGM is presented on pages 69-70.

## NOTES

Note 8, cont.

### Long-term incentive programmes

Axford has long-term share-based incentive programmes (LTIP) that run over approximately a three-year period. 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") and that the shareholding continues throughout the entire term. 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 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.

Group	LTIP 2022	LTIP 2021	LTIP 2020	LTIP 2019
Base value, share price, SEK	275.00	229.20	204.80	186.00
Number of participants at start of programme	75	70	66	58
Number of participants on balance sheet date	73	63	57	-
of whom, senior executives	11	11	10	-
Number of outstanding share rights on 1 Jan 2022	-	247,800	221,900	174,170
Number of share rights allotted during the period	450,156	-	-	-
Number of share rights forfeited during the period	7,000	15,750	7,000	63,746
Number of share rights redeemed during the period	-	-	-	110,424
Number of outstanding share rights on 31 Dec 2022	443,156	232,050	214,900	-
of whom, senior executives	185,500	120,400	111,650	-
Maximum number of share rights	479,716	252,179	235,587	-
Average share price on redemption date, SEK	-	-	-	292.46
Weighted average fair value for entire term, SEK m	98.8	48.3	40.1	-
of whom, senior executives	41.4	25.1	20.8	-
Cost for the year, SEK m	29.3	24.1	21.0	-1.1
Accumulated cost, SEK m	29.3	39.3	54.6	39.0
Liability (social security contributions), SEK m	8.7	12.1	18.3	-
Vesting period	3 years	3 years	3 years	3 years
Term	May 2022–April 2025	May 2021–April 2024	May 2020–April 2023	May 2019–April 2022

### Parent Company

SEK m	LTIP 2022	LTIP 2021	LTIP 2020	LTIP 2019
Weighted average fair value for entire term	39.4	22.2	19.2	-
of whom, senior executives	25.8	16.0	14.3	-
Cost for the year, SEK m	11.7	11.2	10.3	-0.7
Accumulated cost, SEK m	11.7	17.8	26.2	20.1
Liability (social security contributions), SEK m	3.5	5.5	8.8	-

### Repurchased shares

To secure the Company's obligation for under the share-based incentive programmes, Axford repurchases shares in accordance with the resolution passed at each AGM. In 2022, Axford repurchased 343,000 shares at an average price of SEK 292.04 per share, for a total of SEK 100 m. Allotment was carried out for LTIP 2019 in April 2022 using treasury shares. The holding of treasury shares amounts to 1,037,856 shares and is sufficient to secure the delivery of shares for all of the Company's incentive programmes.

### Vesting terms in brief

#### LTIP2022

- 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 or exceeding 10% of the accumulated reference index for 2022–2024 (TSR for groups of reference companies) (1–2 share rights)
- Accumulated sales of sustainability-labelled products during the 2022–2024 period reach a level of up to 10% higher than the level as of 31 December 2021 (0–1 share right)

#### LTIP2021

- 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)

#### LTIP2020

- 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)

#### LTIP2019

- 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)

## NOTES

Note 8, cont.

### Guidelines for remuneration to senior executives

*Most recent guidelines for remuneration to senior executives (resolved by the 2020 AGM to apply until the 2024 AGM at the latest, the proposal for new guidelines to be adopted by the 2023 AGM is presented on pages 69-70)*

The guidelines cover the President and CEO of Axford 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 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 Axford's business strategy, long-term interests and sustainability

Axford's vision entails that the Company shall be a leader in good and sustainable food. To achieve this, Axford works according to a strategy of growth-promoting priorities and efficiency improvement measures. Added to this is a strong employee focus. Axford's strategies rest upon a values-steered culture and core values, on sustainability and on community engagement. Axford'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. Axford'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 Axford's business strategy and capitalisation of Axford's long-term interests, including its sustainability, requires that Axford can recruit and retain qualified employees with the right competence. Achieving this requires that Axford can offer competitive remuneration. The guidelines ensure that senior executives can be offered a competitive total remuneration package.

Axford 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 Axford'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 Axford's business strategy and long-term interests, including sustainability.

### Forms of remuneration

Axford 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 Axford'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 Axford 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 Axford'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 Axford 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

Axford 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.

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 Axford'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.

Note 8, cont.

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.

### Proposal for new guidelines for remuneration to senior executives

*The Board of Directors proposes that the 2023 AGM adopt the following guidelines for remuneration to senior executives in Axfood, to apply until the 2027 AGM at the latest.*

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 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 2023 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.

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

Axfood's purpose is to create a better quality of life for everyone, and Axfood's vision entails that the Company shall be a leader in affordable, 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 purpose, vision, strategy 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 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 both long and short-term goals. Axfood has established long-term share-based incentive programmes. These 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, and include a sustainability target (sustainability-labelled products). 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, performance and, as regards variable remuneration, achievement of previously set targets. 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 and predetermined 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.

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 or similar circumstances.

Variable remuneration shall not be payable if the Axfood Group has a negative result, regardless of whether the specific targets for a subsidiary and/or the individual goals for the senior executive, where applicable, 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).

Other senior executives shall have a defined contribution pension plan in accordance with ITP 1 applicable at the time. The premium for pensions under ITP 1 currently corresponds to 4.5% of the portion of salary up to 7.5 times the income base amount and 30% of the portion of salary up to 30 times the income base amount.

Senior executives with ITP 1 and ITP 2 are eligible for an executive pension plan, meaning that an extra pension premium of 30% is paid for fixed salary portions (fixed monthly salary multiplied by a factor of 12.2) between 30 and 50 times the income base amount.

To compensate for the accrual effect that can arise for senior executives with ITP 1 due to the payment of short-term variable salary in a certain month, Axfood can, where appropriate, pay an extra one-time pension premium in cases where the fixed salary does not exceed 30 times the income base amount (per month), although the payment of short-term variable

## NOTES

Note 8, cont.

salary combined with the fixed salary may not total more than 30 times the income base amount (current payment month). This compensation is limited to a yearly one-time premium corresponding to 30% of the difference between the employee's fixed monthly salary and the cap for pensionable salary, currently 30 times the income base amount.

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.

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. The change in the difference between the remuneration to senior executives and the remuneration to other employees will be reported in the annual remuneration report.

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

The Board is to prepare a proposal for new guidelines for remuneration to senior executives and submit the proposal for resolution by a general meeting of shareholders. The guidelines shall apply until new guidelines have been adopted by a general meeting of shareholders, but at most for four years. 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. 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 also includes decisions to derogate from the guidelines.

### Description of significant changes to the guidelines and how the shareholders' feedback has been taken into consideration

The proposed guidelines presented at the 2023 AGM do not entail any major changes to the Company's existing remuneration guidelines, but rather are intended to keep the current principles for pension provisions following the introduction of a cap for pension provisions under ITP 1 as of 1 January 2023 and to align the principles for pension provisions for senior executives with ITP 1 and ITP 2. The Company did not receive any feedback from the shareholders.

## 9. Auditors' fees

	Group		Parent Company	
	2022	2021	2022	2021
<b>Deloitte</b>				
Auditing fees	6	5	2	1
Auditing activities in addition to the audit assignment	0	0	0	0
Other services	2	2	2	2
<b>Total</b>	<b>9</b>	<b>7</b>	<b>5</b>	<b>3</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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Cost of goods sold	170	159	3	3	581	547	711	642	1,465	1,351
Selling expenses	2	1	0	0	46	46	826	779	874	827
Administrative expenses	8	13	0	0	76	65	158	143	242	221
<b>Total depreciation/amortisation</b>	<b>180</b>	<b>174</b>	<b>3</b>	<b>3</b>	<b>704</b>	<b>657</b>	<b>1,694</b>	<b>1,565</b>	<b>2,580</b>	<b>2,399</b>

The Parent Company's depreciation of SEK 8 m (7) pertains to equipment, tools, fixtures and fittings and is recognised under administrative expenses.

## NOTES

## 11. Leases

### Lessee

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

### Right-of-use assets

Group	Premises		Vehicles		Other	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
<b>Opening right-of-use assets</b>	6,212	5,505	160	142	11	9
Acquisitions	–	543	–	31	–	6
Newly acquired assets	3,048	508	39	47	5	2
Sales and disposals	0	-23	-2	-4	-1	0
Remeasurements	1,271	1,176	9	7	1	0
Depreciation	-1,620	-1,496	-66	-64	-8	-5
Impairment	-35	–	–	–	–	–
<b>Closing right-of-use assets</b>	<b>8,876</b>	<b>6,212</b>	<b>140</b>	<b>160</b>	<b>9</b>	<b>11</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	2022	2021
Depreciation of right-of-use assets	-1,694	-1,565
Impairment of right-of-use assets	-35	–
Interest on lease liabilities	-157	-116
Variable lease payments	-128	-101
Revenue from sub-letting of right-of-use assets	147	133
Costs for short-term leases	-11	-6
Costs for low-value leases	-3	-4

### Amounts recognised in the Statement of cash flows

	2022	2021
Total outgoing cash flow attributable to leases	-2,047	-1,811

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, mainly for its own use but also to a certain extent for sub-letting, mainly to retailer-owned stores. The leases normally have a term of between three and ten years. The average remaining lease term is four years.

In 2019, a long-term lease for the logistics centre in Bålsta was signed with the property owner NREP Logicens. The lease has a term of 25 years and is recognised as a right-of-use asset of SEK 2,340 m in the balance sheet as of 1 November 2022, when the premises became available for use.

### Extension and termination options

Certain leases include extension options and termination options that the Group may choose whether or not to exercise up until one year before the end 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. Since the initial lease terms are often long and it is not unusual for one of the parties to give notice of renegotiation in conjunction with the end of the lease term and the rent to be paid in the next period is therefore unknown until these renegotiations are completed, the lease term usually corresponds to the contractual lease term without extensions. The Group regularly reconsiders whether or not it is reasonably certain that an option will be exercised, for example, in connection with major premises renovations. 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	2022	2021
Within one year	41	45
Between one and five years	152	170
Longer than five years	38	82

### Expensed payments for operating leases amount to:

Parent Company	2022	2021
Minimum lease payments	43	46
Variable payments	–	–
<b>Total lease fees<sup>1)</sup></b>	<b>43</b>	<b>46</b>
Lease income pertaining to sub-let premises	34	37

1) Of which, rents for premises SEK 42 m (45).

### Lessor

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

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

Group	2022	2021
Within one year	137	136
Between one and two years	93	116
Between two and three years	65	78
Between three and four years	35	51
Between four and five years	20	24
Later than five years	26	12
<b>Total undiscounted lease payments</b>	<b>377</b>	<b>417</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 joint ventures and with subsidiaries within the Axel Johnson Group.

Axfood leases properties and premises, and purchases certain goods in the food service segment through companies in the Axel Johnson Group.

Axfood has delivery and cooperation agreements with City Gross, which is 9.9%-owned by Axfood and is recognised as an associated company. All prices are set on an arm's length basis.

Group	Sales to related parties		Purchases from related parties		Receivables from related parties		Liabilities to related parties	
	2022	2021	2022	2021	2022	2021	2022	2021
Associated companies and joint ventures	5,370	2,049	-	-	580	750	-	1
Other related parties	28	17	162	141	2	2	17	14
<b>Total</b>	<b>5,398</b>	<b>2,066</b>	<b>162</b>	<b>141</b>	<b>582</b>	<b>752</b>	<b>17</b>	<b>15</b>

## 13. Net financial items

	Group		Parent Company	
	2022	2021	2022	2021
Interest income	7	4	2	1
Dividends from participations in Group companies	-	-	255	-
Interest income from Group companies	-	-	21	7
Other financial income	19	8	4	-
	<b>26</b>	<b>12</b>	<b>282</b>	<b>7</b>
Interest expenses	-18	-7	-10	-3
Interest expenses to Group companies	-	-	-2	0
Interest expenses for leases	-157	-116	-	-
Other financial expenses	-18	-11	-9	-9
	<b>-193</b>	<b>-134</b>	<b>-21</b>	<b>-12</b>
<b>Net financial items</b>	<b>-166</b>	<b>-122</b>	<b>260</b>	<b>-4</b>

## 14. Appropriations and untaxed reserves

	Parent Company	
	2022	2021
<b>Appropriations</b>		
Group contribution received	2,399	2,641
Group contribution paid	-72	-21
Provision to tax allocation reserve	-640	-720
Dissolution of tax allocation reserve	476	426
Change in accumulated excess depreciation	-10	-1
<b>Total</b>	<b>2,154</b>	<b>2,326</b>
<b>Untaxed reserves</b>		
Tax allocation reserves	3,649	3,485
Accumulated excess depreciation	12	2
<b>Total</b>	<b>3,661</b>	<b>3,487</b>

## 15. Earnings per share

Group	2022	2021
Earnings per share before dilution, SEK <sup>1)</sup>	11.04	10.20
Earnings per share after dilution, SEK <sup>1)</sup>	10.99	10.16
Number of shares outstanding at end of period	215,805,384	209,104,732
Average number of shares outstanding before dilution	213,117,592	209,158,470
Average number of shares outstanding after dilution	214,036,026	209,875,766

1) Comparison figures were restated for the bonus issue element of the rights issue that was completed in the second quarter of 2022 (refer to Note 23).

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

## 16. Taxes

	Group		Parent Company	
	2022	2021	2022	2021
<b>Current tax</b>				
Current tax on net profit for the year	-435	-491	-412	-455
Adjustment of current tax from previous years	0	0	-	-
Deferred tax on temporary differences	-130	3	2	-1
<b>Recognised tax expense</b>	<b>-564</b>	<b>-488</b>	<b>-410</b>	<b>-456</b>

## Group, reconciliation of effective tax rate

	2022	%	2021	%
Recognised profit before tax	2,935		2,582	
Tax based on applicable tax rate	-605	-20.6	-532	-20.6
Tax effect and percentage impact of:				
Non-deductible expenses	-19	-0.6	-16	-0.6
Tax-exempt revenue	1	0.0	4	0.1
Profit participations recognised in accordance with the equity method	-13	-0.5	-9	-0.4
Tax attributable to tax credit on investments	8	0.3	49	1.9
Sale of Mat.se	54	1.8	-	-
Other	9	0.3	16	0.6
<b>Recognised tax expense/effective tax rate</b>	<b>-564</b>	<b>19.2</b>	<b>-488</b>	<b>-18.9</b>
Tax attributable to other comprehensive income	-41		-13	

## Parent Company, reconciliation of effective tax rate

	2022	%	2021	%
Recognised profit before tax	2,209		2,170	
Tax based on applicable tax rate	-455	-20.6	-447	-20.6
Tax effect and percentage impact of:				
Non-deductible expenses	-1	-0.1	-1	-0.0
Tax-exempt revenue	1	0.1	-	-
Tax-exempt dividend	52	2.4	-	-
Taxable income not recognised in the income statement	-9	-0.4	-9	-0.4
Other	2	0.1	0	0.0
<b>Recognised tax expense/effective tax rate</b>	<b>-410</b>	<b>-18.6</b>	<b>-456</b>	<b>-21.0</b>
Current and deferred tax items recognised directly against equity	-		-	

## Recognised deferred tax assets and tax liabilities

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Intangible assets	-201	-196	-	-
Equipment, tools, fixtures and fittings	12	61	-	0
Deficit	111	102	-	-
Financial assets	-3	-	-	-
Other receivables	-11	0	-	-
Untaxed reserves	-1,053	-975	-	-
Provisions	14	37	8	5
Right-of-use assets/ Lease liabilities	65	69	-	-
Other liabilities	20	26	-	-
Other	10	10	-	0
<b>Total deferred tax asset (+)/ deferred tax liability (-), net</b>	<b>-1,036</b>	<b>-866</b>	<b>8</b>	<b>6</b>
Deferred tax asset	253	346	8	6
Deferred tax liability	-1,289	-1,212	-	-

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

## Group, change in deferred tax

	2022				
	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	-196	-5	-	-	-201
Equipment, tools, fixtures and fittings	61	-49	-	-	12
Deficit	102	8	-	-	111
Financial assets	-	-	-	-3	-3
Other receivables	0	-	-	-11	-11
Untaxed reserves	-975	-77	-	-	-1,053
Provisions	37	-5	-	-18	14
Right-of-use assets/ Lease liabilities	69	-4	-	-	65
Other liabilities	26	2	-	-8	20
Other	10	-	-	-	10
<b>Total</b>	<b>-866</b>	<b>-130</b>	<b>-</b>	<b>-41</b>	<b>-1,036</b>

	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>

## NOTES

## 17. Intangible assets

Group	Goodwill		Intangible assets in progress		Other intangible assets <sup>1)</sup>	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Opening cost <sup>2)</sup>	3,846	2,769	448	263	2,884	2,197
Business combinations	-12	1,011	-	1	-	629
Investments	120	65	256	241	3	2
Sales and disposals	-429	-	-	-	-90	-
Reclassifications	-	-	-122	-57	123	57
<b>Closing accumulated cost</b>	<b>3,526</b>	<b>3,846</b>	<b>582</b>	<b>448</b>	<b>2,919</b>	<b>2,884</b>
Opening depreciation <sup>2)</sup>	-	-	-	-	-1,806	-1,634
Sales and disposals	-	-	-	-	26	-
Amortisation for the year	-	-	-	-	-180	-174
<b>Closing accumulated amortisation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1,960</b>	<b>-1,806</b>
Opening impairment <sup>3)</sup>	-	-	-	-	-76	-76
<b>Closing accumulated impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-76</b>	<b>-76</b>
<b>Closing planned residual value</b>	<b>3,526</b>	<b>3,846</b>	<b>582</b>	<b>448</b>	<b>883</b>	<b>1,001</b>

1) Of other intangible assets, SEK 546 m (593) pertains to customer relationships, SEK 254 m (269) to IT development, SEK 83 m (138) to trademarks, SEK 0 m (1) to leaseholds.

2) 2021 values related to the acquisition of Bergendahl Food AB were reported gross, which has been corrected in 2022, reporting of net values affects the opening balance.

3) Opening 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 2022	31 Dec 2021
Hemköp	619	619
Willys	1,088	968
Snabbgross	57	57
Dagab	1,762	2,202
<b>Total</b>	<b>3,526</b>	<b>3,846</b>

### 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 2023 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 with a discount rate of 6.0% after tax (5.8), which corresponds to a discount rate before tax of approximately 7.2% (6.9). 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 6.0% (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 2022.

Important assumptions that have a major effect on cash flows in the event of changes, include the discount rate and assumptions of future price and volume developments. The Executive Committee has made various assumptions in the business plan that forms the basis for cash flow calculations. The assumptions concerning price and volume growth are based on estimates performed by management and by external parties concerning the price, volume and profitability trend for food retail products in Sweden in Axfood's assortment. These estimates are based on previous years' experience, taking into consideration the anticipated effects of currently known external factors, such as inflation, sharp increases in electricity and fuel prices, shortages of raw materials and packaging, and disruptions in the transport sector, and taking the anticipated competitive situation in the industry into account. When preparing the business plan, management also takes into consideration the anticipated costs and investments associated with transitions required to achieve Axfood's climate and environmental targets. Future cash flows for all units are based on the same assumptions.

### Sensitivity analysis

For the cash-generating units a 1 percentage point increase in the discount rate, a decrease in the EBITDA margin of 1 percentage point or a reduction in sales growth by 1 percentage point does not indicate impairment (no impairment).

## NOTES

## 18. Property, plant and equipment

Group	Land and buildings		Equipment, tools, fixtures and fittings		Construction in progress	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Opening cost <sup>1)</sup>	162	159	8,254	7,910	1,425	613
Business combinations	-	-	-	75	-	7
Investments	-	-	282	165	1,937	1,352
Sales and disposals	0	-	-1,359	-438	-	-4
Reclassifications	82	2	640	542	-722	-543
<b>Closing accumulated cost</b>	<b>245</b>	<b>162</b>	<b>7,816</b>	<b>8,254</b>	<b>2,640</b>	<b>1,425</b>
Opening depreciation <sup>1)</sup>	-17	-13	-6,007	-5,756	-	-
Sales and disposals	0	-	1,325	405	-	-
Depreciation for the year	-3	-3	-704	-657	-	-
<b>Closing accumulated depreciation</b>	<b>-21</b>	<b>-17</b>	<b>-5,386</b>	<b>-6,007</b>	<b>-</b>	<b>-</b>
Opening impairment	-	-	-1	-1	-	-
Sales and disposals	-	-	1	-	-	-
<b>Closing accumulated impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1</b>	<b>-</b>	<b>-</b>
<b>Closing planned residual value</b>	<b>224</b>	<b>144</b>	<b>2,431</b>	<b>2,246</b>	<b>2,640</b>	<b>1,425</b>

1) 2021 values related to the acquisition of Bergendahl Food AB were reported gross, which has been corrected in 2022, reporting of net values affects the opening balance.

Parent Company	Equipment, tools, fixtures and fittings	
	31 Dec 2022	31 Dec 2021
Opening cost	97	92
Investments	5	13
Sales and disposals	-42	-8
<b>Closing accumulated cost</b>	<b>60</b>	<b>97</b>
Opening depreciation	-60	-58
Sales and disposals	41	4
Depreciation for the year	-8	-7
<b>Closing accumulated depreciation</b>	<b>-27</b>	<b>-60</b>
<b>Closing planned residual value</b>	<b>33</b>	<b>37</b>

## 19. Government assistance and grants

The Axfood Group has received labour market policy grants amounting to SEK 44 m (43), 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 50 m (76), 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	2022	2021	Parent Company	Corp. reg. no.	Registered office	No. of participations	Capital and voting rights, %	Book value 31 Dec 2022	Book value 31 Dec 2021
Opening cost	3,879	3,809	Willys AB	556163-2232	Gothenburg	1,000	100	456	449
Acquisitions during the year	-	-	NAX AB	559029-7809	Stockholm	510	51	363	302
Shareholder contributions <sup>1)</sup>	860	69	Eurocash Food AB	556503-6141	Strömstad	45,000	100	-	-
<b>Closing accumulated cost</b>	<b>4,739</b>	<b>3,879</b>	Hemköpskedjan AB	556113-8826	Stockholm	100,000	100	576	572
<b>Closing accumulated impairment</b>	<b>-350</b>	<b>-350</b>	Hemköp i Lerum AB	559229-8904	Stockholm	1,000	100	-	-
<b>Closing accumulated book value</b>	<b>4,389</b>	<b>3,529</b>	Hemköp i Härnösand AB	559069-0854	Stockholm	1,000	100	-	-
			Hemköp i Sollentuna AB	559155-7854	Stockholm	910	91	-	-
			Hemköp i Tallboda AB	559067-5467	Linköping	1,000	100	-	-
			Hemköp i Värnamo AB	559019-8833	Stockholm	1,000	100	-	-
			Hemköp 121 AB	559329-4134	Stockholm	1,000	100	-	-
			Hemköp 122 AB	559339-8307	Stockholm	1,000	100	-	-
			Hemköp 124 AB	559406-3363	Stockholm	1,000	100	-	-
			Hemköp 125 AB	559406-3389	Stockholm	1,000	100	-	-
			Tempo i Vikarbyn AB	559329-5586	Stockholm	910	91	-	-
			Axfood Snabbgross AB	556000-3575	Stockholm	1,500	100	56	51
			Dagab Inköp & Logistik AB	556004-7903	Stockholm	3,434,656	100	2,152	2,146
			Axfood i Backa AB	556742-7942	Solna	1,000	100	-	-
			Axfood i Lund AB	556807-5310	Stockholm	500	100	-	-
			Axfood i Malmö AB	556950-1199	Stockholm	1,000	100	-	-
			Bergendahl Food AB	556342-7698	Stockholm	500,000	100	-	-
			Cold Cargo Sweden AB	556930-9460	Gothenburg	50,000	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	-	-
			Axfood Investering och Utveckling AB	559229-8896	Stockholm	1,000	100	771	0
			Middagsfrid AB	556752-4953	Stockholm	1,000	100	-	-
			Axfood IT AB	556035-6163	Stockholm	1,000	100	14	9
			Dagab AB	556070-3166	Stockholm	1,000	100	0	0
			<b>Total, Group companies</b>					<b>4,389</b>	<b>3,529</b>

1) Of which, shareholder contributions to Axfood Investering och Utveckling AB and Nax AB of SEK 771 m (-) and SEK 61 m (51), respectively.

## NOTES

## 21. Participations in associated companies and joint ventures

The online pharmacy Apohem AB is a company that is jointly owned by Axfood and two additional parties. Axfood owns 52.9% (53.4) of the company through Axfood Investering och Utveckling 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 a joint venture. Apohem was up until 2021 an associated company based on previous shareholder agreement and ownership structure.

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 31 December 2022, no value had been recognised for these options. 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 and joint ventures are recognised in accordance with the equity method.

Reconciliation of book value and reported profit participation	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	497	101	11	6
Acquisition of associated companies	-2	339	-	-
New issue joint ventures	26	41	-	-
Divestment associated companies	-5	-	-11	-
Shareholder contributions paid <sup>1)</sup>	49	16	-	5
Dividend from associated companies	-10	-	-	-
<b>Closing cost</b>	<b>556</b>	<b>497</b>	<b>-</b>	<b>11</b>
<i>Adjustments of equity</i>				
Opening carrying amount	-119	-73	-	-
Share of profit	-66	-46	-	-
<b>Closing carrying amount</b>	<b>-185</b>	<b>-119</b>	<b>-</b>	<b>-</b>
<b>Book value</b>	<b>372</b>	<b>379</b>	<b>-</b>	<b>-</b>

1) Of which, shareholder contributions to joint ventures of SEK 49 m (-) and shareholder contributions to associated companies of SEK - m (16).

Associated companies and joint ventures	Corp. reg. no.	Registered office	Share of voting capital, % 2022	Share of voting capital, % 2021	Book value 31 Dec 2022	Book value 31 Dec 2021
<b>Associated companies owned directly by Axfood AB</b>						
Humla AB <sup>1)</sup>	559236-9341	Stockholm	-	25.0	-	6
<b>Associated companies owned indirectly by Axfood AB</b>						
City Gross Sverige AB	556597-2451	Hässleholm	9.9	9.9	322	340
Svinesunds Handels AB	556872-4362	Strömstad	24.0	24.0	0	0
United Nordic Inc AB	556043-4606	Solna	33.0	33.0	0	0
<b>Joint ventures owned indirectly by Axfood AB</b>						
Apohem AB <sup>2)</sup>	559094-8401	Stockholm	52.9	53.4	49	32
<b>Total</b>					<b>372</b>	<b>379</b>

1) Humla AB was sold in May 2022. The book value in the Parent Company amounted to SEK 11 m on 31 Dec 2021.

2) Apohem is a joint venture as of 2022, up until 2021 Apohem was an associated company.

Reconciliation of reported profit participation	Apohem		City Gross	
	2022	2021	2022	2021
Net profit/loss for the year	-109	-80	-66	15
Share of profit/loss <sup>1)</sup>	-58	-42	-7	1
<b>Reported profit participation</b>	<b>-58</b>	<b>-42</b>	<b>-7</b>	<b>1</b>
<b>Reconciliation of book value</b>				
Share of equity	29	15	19	36
Surplus value	20	18	304	305
<b>Book value</b>	<b>49</b>	<b>32</b>	<b>322</b>	<b>340</b>

1) Corresponds to total comprehensive income.

Condensed income statement and balance sheet	Apohem		City Gross	
	2022	2021	2022	2021 <sup>1)</sup>
Sales	404	232	9,815	2,521
Net profit/loss for the year	-109	-80	-66	15
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-109</b>	<b>-80</b>	<b>-66</b>	<b>15</b>
Non-current assets	6	3	497	587
Current assets	93	78	1,161	1,258
<b>Total assets</b>	<b>99</b>	<b>81</b>	<b>1,658</b>	<b>1,845</b>
Equity	39	18	283	360
Non-current liabilities	-	1	42	50
Current liabilities	60	62	1,333	1,435
<b>Liabilities and equity</b>	<b>99</b>	<b>81</b>	<b>1,658</b>	<b>1,845</b>

1) Pertains to the October–December 2021 period.

## NOTES

## 22. Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Prepaid rents	181	117	–	–
Accrued bonuses and similar	973	759	8	7
Other prepaid expenses	241	282	17	28
Other accrued income	32	38	0	0
<b>Total</b>	<b>1,428</b>	<b>1,196</b>	<b>25</b>	<b>35</b>

## 23. Equity

	31 Dec 2022	31 Dec 2021
Number of shares	216,843,240	209,870,712
Number of treasury shares	1,037,856	765,980
Number of shares outstanding	215,805,384	209,104,732

### Share capital

The share capital as per 31 December 2022 amounted to SEK 271,054,050 (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).

### Issued capital

On 26 April 2022, it was announced that the Board of Directors, with the support of the AGM's authorisation, had decided to carry out a rights issue. The rights issue comprised a maximum of 6,972,528 shares with preferential rights for existing shareholders, with the Company's shareholders receiving one subscription right for each share held and 30 subscription rights entitling the holder to subscribe for one new share. The subscription price was SEK 215 per share and the subscription period concluded on 23 May 2022. 6,831,824 shares were subscribed for with the support of subscription rights, and the remaining 140,704 shares were allocated to investors who had subscribed for shares without the support of subscription rights. Axfood received SEK 1,499 m from the rights issue before SEK 14 m in issue costs. The number of registered shares is 216,843,240 after the rights issue.

### 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.

### 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 2022. 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

Share premium reserve	1,476,153,002
Profit brought forward	786,519,490
Net profit for the year	1,798,846,187
<b>Total</b>	<b>4,061,518,678</b>

be disposed as follows:

#### SEK

SEK 8.15 per share to be distributed to shareholders	1,758,813,880
To be carried forward	2,302,704,799
<b>Total</b>	<b>4,061,518,678</b>

## NOTES

## 24. Provisions for pensions

### Group

Defined benefit pension plans	31 Dec 2022	31 Dec 2021
Present value of funded obligations	7	8
Present value of unfunded obligations	279	371
<b>Total present value of obligations</b>	<b>286</b>	<b>378</b>
Fair value of plan assets	-7	-8
<b>Present value of net obligations</b>	<b>279</b>	<b>371</b>
Amounts recognised in statement of financial position		
– provisions	279	371
– assets	–	–
<b>Net liability in statement of financial position</b>	<b>279</b>	<b>371</b>

Of Axfood's net liability for defined benefit pension plans in Sweden, SEK 274 m (361) 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 5 m (10). 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. No fees were paid in to the foundation during the year.

Changes in the present value of obligations for defined benefit plans	31 Dec 2022	31 Dec 2021
Opening balance	378	411
Benefits paid	-27	-27
Interest expenses	6	3
Remeasurements, gains (-)/losses (+):		
Actuarial gains and losses on changed financial assumptions	-99	-11
Experience-based adjustments	28	2
<b>Obligations for defined benefit plans</b>	<b>286</b>	<b>378</b>

The present value of obligations is distributed among the plans' members as follows	31 Dec 2022	31 Dec 2021
Active	0	0
Persons on disability pensions	8	9
Owners of paid-up policies	441	479
Retirees	1,262	1,288
<b>Total number of pledges</b>	<b>1,711</b>	<b>1,776</b>
Change in net liability during the year	31 Dec 2022	31 Dec 2021
Opening balance	371	403
Compensation from pension foundation	1	1
Net expense in net profit for the year	6	3
Pension disbursements	-27	-27
Actuarial losses/gains recognised as a liability	-71	-9
<b>Net liability at year-end</b>	<b>279</b>	<b>371</b>

Actuarial assumptions made in calculating the present value of defined benefit obligations	2022	2021
Discount rate	4.00%	1.60%
Future annual pension increases (inflation)	2.10%	2.10%
Duration <sup>1)</sup>	11.0 years	14.0 years
Longevity assumption after 65 years		
– men	21.8 years	22.0 years
– women	23.9 years	24.0 years

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

Sensitivity analysis	Increase	Decrease
Discount rate (-/+ 0.5% change)	16	14
Inflation (+/- 0.5% change)	16	15
Longevity (+/- 1 year change)	12	12

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	2022	2021
<i>Defined benefit pension plans</i>		
Interest expense	6	3
Actual return on plan assets	0	0
<b>Total</b>	<b>6</b>	<b>3</b>
<i>Defined contribution pension plans</i>		
Costs during the period	474	452
<b>Total</b>	<b>474</b>	<b>452</b>
<b>Total pension cost in net profit for the year</b>	<b>480</b>	<b>455</b>
Remeasurements recognised in other comprehensive income, gains (-)/losses (+)	-89	-12
<b>Pension cost in comprehensive income for the year</b>	<b>391</b>	<b>443</b>

Pension insurance premiums paid during the year to Alecta for pension insurance under the ITP plan amounted to SEK 176 m (183). Alecta's surplus can be apportioned among the policyholders and/or the insured. As of 31 December 2022, Alecta's surplus in the form of its collective funding ratio was 172% (172). 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	2022	2021
Cost of goods sold	258	250
Selling expenses	97	96
Administrative expenses	119	106
Interest expenses	6	3
<b>Total</b>	<b>480</b>	<b>455</b>

### Effects on future cash flows

The Group estimates that approximately SEK 29 m (27) will be paid into defined benefit plans in 2023.

## NOTES

Note 24, cont.

### Parent Company

Recognised capital value of pension obligations	31 Dec 2022	31 Dec 2021
Opening balance	10	15
Benefits paid	-5	-5
Interest expenses	1	0
<b>Recognised capital value</b>	<b>6</b>	<b>10</b>

The Parent Company's recognised pension liability 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. The pension liability is credit insured in PRI.

Pension costs	2022	2021
<i>Own undertakings</i>		
Liability indexing of undertakings	-	-
Interest expenses	1	0
<b>Total</b>	<b>1</b>	<b>0</b>
<i>Undertakings through insurance</i>		
Insurance premiums <sup>1)</sup>	28	27
Special employer's payroll tax on pension contributions	6	6
<b>Total</b>	<b>34</b>	<b>32</b>
<b>Pension costs for the year</b>	<b>35</b>	<b>32</b>

1) Of which, premiums paid to Alecra for pension insurance according to the ITP plan, totalling SEK 20 m (22).

### 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, with interest that corresponded to 10.84% (2.51) for 2022.

It is estimated that approximately SEK 6 m (5) will be paid out in pensions by the Parent Company in 2023.

## 25. Financial assets and liabilities

Group	31 Dec 2022	31 Dec 2021
<b>Financial assets measured at fair value through profit or loss</b>		
Financial assets – Forward exchange contracts (Level 2)	15	-
Financial assets – Mathem (Level 3)	206	-
Other current receivables – Forward exchange contracts (Level 2)	55	1
<b>Financial assets measured at amortised cost</b>		
Other long-term securities holdings	0	0
Other non-current receivables	6	6
Trade receivables	2,143	2,292
Cash and cash equivalents	559	734
<b>Total financial assets</b>	<b>2,982</b>	<b>3,032</b>
<b>Financial liabilities measured at fair value through profit or loss</b>		
Other non-current liabilities – Forward exchange contracts (Level 2)	-	18
Other current liabilities – Forward exchange contracts (Level 2)	0	33
<b>Financial liabilities measured at amortised cost</b>		
Lease liabilities	9,050	6,404
Current interest-bearing liabilities	200	1,600
Trade payables	7,190	5,845
<b>Total financial liabilities</b>	<b>16,440</b>	<b>13,899</b>

### Fair value of financial instruments

Financial assets measured at fair value amounted to SEK 275 m (1). SEK 69 m (1) is attributable to Level 2 of the fair value hierarchy and SEK 206 m (-) is attributable to Level 3. Financial liabilities measured at fair value amounted to SEK 0 m (50). The entire amount is attributable to Level 2 of the fair value hierarchy.

The carrying amount of the call option agreement entered into with City Gross in conjunction with the acquisition in 2021 amounted to SEK 0 m (0). The call option agreement is recognised at fair value based on an assessment of the change in City Gross's future sales and earnings performance.

The carrying amount of the participation in Mathem amounted to SEK 206 m (-). Since the acquisition on 1 March 2022, the holding in Mathem was revalued by SEK -635 m. The revaluation was carried out as a result of the sharp decline in value that took place in the market in 2022. The valuation was reviewed at year-end, using a multiples approach supported by a valuation based on cash flow. Based on this review, no revaluation of the holding is necessary. The valuation corresponds to an EV/sales multiple of 0.6 based on Mathem's LTM sales as of 31 October 2022. A 10% increase in the multiple would have resulted in a valuation of SEK 225 m, while a corresponding reduction of the multiple would have resulted in a valuation of SEK 184 m.

Forward exchange contracts are measured at fair value based on the Central Bank of Sweden's spot rates on the accounting date, which is assessed to be a reasonable approximation of fair value.

Changes in the fair value of financial assets attributable to Level 3, SEK m	31 Dec 2022
Fair value at start of year	-
Acquisitions	758
New issue	83
Revaluation via other comprehensive income	-635
<b>Fair value at end of period</b>	<b>206</b>

## NOTES

## 26. Financial risk management

### Framework for financial risk management

The Axfood Group is exposed to financial risks, which are described under the respective type of risk below. The Axfood Group has a Group-wide finance policy that regulates the delegation of responsibility 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, Axfood AB. Group Treasury reports monthly to the CFO with a follow-up of the finance policy. The same report is also presented to the Board four times a year.

### Financing and refinancing risk

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

To limit the risk and financial loss associated with the Axfood Group's inability to finance the Group's operations at any given time, a minimum permissible average remaining duration of 12 months has been set for the Group's credit facilities. In addition, Axfood shall ensure that a maximum of 25% of requisite credit facilities falls due within 12 months. The guiding principle for the use of external credits, including 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 Axfood Group being unable to meet its short-term payment obligations. Axfood mitigates its liquidity risk by coordinating the management of surplus liquidity and financing within the Group. In addition, liquidity risk is mitigated by Axfood ensuring that a liquidity reserve is always available that can handle fluctuations in 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, Axfood carried out a new share issue of about SEK 1.5 bn, with preferential rights for existing shareholders.

### Group

Credit lines	31 Dec 2022	31 Dec 2021
<b>Granted credit lines</b>		
Revolving credit facility	3,500	3,500
<b>Total granted credit lines</b>	<b>3,500</b>	<b>3,500</b>
Utilised credit lines	-200	-1,600
<b>Unutilised credit lines</b>	<b>3,300</b>	<b>1,900</b>
Available bank balances	96	328
<b>Liquidity reserve</b>	<b>3,396</b>	<b>2,228</b>
<b>Other credit lines</b>		
Bank overdraft facilities	600	300

The Group's revolving credit facility amounts to SEK 3,500 m, with a term that extends until November 2026. The Group also has a bank overdraft facility of SEK 600 m.

### Group

Maturity structure for financial assets and liabilities	<1 year	1–2 years	3–5 years	>5 years
Forward exchange contracts	55	15	–	–
Trade payables	-7,190	–	–	–
Interest-bearing loans	-200	–	–	–
Lease liabilities <sup>1)</sup>	-1,906	-1,532	-2,938	-5,105
<b>Total</b>	<b>-9,241</b>	<b>-1,517</b>	<b>-2,938</b>	<b>-5,105</b>

1) Refers to undiscounted values

### Investment policy

The Axfood Group's investment policy aims to ensure the Axfood 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 2022, the Axfood 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 Axfood Group's interest rate risk associated with interest-bearing assets is to be managed by investing cash and cash equivalents in such a way that maturity dates for investments with fixed rates of interest match the Axfood Group's known outflows and/or payment of principal. The norm for Axfood 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.

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.

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 1.0 m (3.3).

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 95.4 m (83.8), mainly attributable to the Group's recognised lease liabilities.

### 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. Electricity price is the most significant commodity risk, and changes in energy prices can have a major impact on earnings. The Group has entered into long-term delivery contracts for electricity for many years. The Group's energy need for the next seven years is partly covered by long-term delivery contracts, which limits the Group's sensitivity to short-term changes in energy prices.

## NOTES

Note 26, cont.

### 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 Axfood Group's finance policy prescribes that 100% of orders are to be hedged at the time the order is placed. Overheads in foreign currency 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. Approved hedge instruments are forward exchange contracts and currency swap contracts.

The Board has been made to deviate from the established guidelines to hedge the investments in automation in Bålsta with Witron, which means that hedging has taken place in accordance with a hedge scale whereby 99% of the remaining contract value on the balance sheet date is hedged as follows:

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

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

### Sensitivity analysis regarding exchange rate risk

The sensitivity analysis shows the hypothetical impact of a 10% change in exchange rate against the SEK 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.

Currency	Net outflow, SEK m	%	Change
EUR	7,259	95.0	+/- 725.9
USD	296	3.9	+/- 29.6
DKK	79	1.0	+/- 7.9
GBP	8	0.1	+/- 0.8
<b>Total</b>	<b>7,642</b>	<b>100</b>	
NOK	12	100	+/- 1.2
<b>Total</b>	<b>12</b>	<b>100</b>	

Of the recognised fair value in EUR, SEK -59 m (-50) 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 (-).

Currency derivatives	<3 months	3–6 months	6–12 months	>12 months	Nominal amount, SEK m	Average exchange rate	31 Dec 2022	31 Dec 2022
							Nominal amount, foreign currency	Fair value
EUR	1,303	27	459	244	2,034	10.76	189	71
USD	57	14	0	0	71	10.67	7	-2
DKK	7	-	-	-	7	1.47	5	0
NOK	6	-	-	-	6	1.06	5	0
GBP	1	-	-	-	1	12.54	0	0
<b>As of 31 Dec 2022</b>	<b>1,374</b>	<b>41</b>	<b>459</b>	<b>244</b>	<b>2,119</b>			<b>69</b>
As of 31 Dec 2021	920	546	378	850	2,694			-49

### 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. 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.

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 216 m (133) of outstanding trade receivables. Collateral received consists mainly of chattel mortgages, bank guarantees and guarantee commitments. In 2022, a total of SEK 1 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 recognised net, with expected credit losses based on the Group's loss reserve matrix, which in turn is based on an analysis of actual bad debts during the last three years. The provision for expected credit losses amounts to SEK 17 m (8), of which SEK 17 m (7) pertains to trade receivables that are more than 90 days past due.

### Changes in provision for expected credit losses

	31 Dec 2022	31 Dec 2021
Opening balance	-8	-7
Provisions	-13	-1
Reversals	3	-1
Confirmed and recovered credit losses	1	1
<b>Closing balance</b>	<b>-17</b>	<b>-8</b>

### Maturity analysis of trade receivables

	31 Dec 2022	31 Dec 2021
Trade receivables not due	1,998	2,129
Trade receivables past due 0–30 days	80	151
Trade receivables past due >30–90 days	32	10
Trade receivables past due >90–180 days	30	3
Trade receivables past due >180–360 days	10	4
Trade receivables past due >360 days	10	3
<b>Total</b>	<b>2,161</b>	<b>2,300</b>

## NOTES

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

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
<b>Non-current interest-bearing liabilities</b>				
Non-current lease liabilities	7,388	4,856	-	-
Provisions for pensions	292	371	6	10
<b>Total non-current interest-bearing liabilities</b>	<b>7,679</b>	<b>5,227</b>	<b>6</b>	<b>10</b>
<b>Current interest-bearing liabilities</b>				
Current liabilities to credit institutions	200	1,600	200	1,600
Current lease liabilities	1,662	1,548	-	-
Liabilities to Group companies <sup>1)</sup>	-	-	2,291	2,256
<b>Total current interest-bearing liabilities</b>	<b>1,862</b>	<b>3,148</b>	<b>2,491</b>	<b>3,856</b>

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

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
<b>Net debt/net receivable</b>				
Non-current interest-bearing liabilities	7,679	5,227	6	10
Current interest-bearing liabilities	1,862	3,148	2,491	3,856
Non-current interest-bearing receivables	-	0	-	-
Current interest-bearing receivables <sup>1)</sup>	-	-	-3,849	-3,844
Cash and cash equivalents	-559	-734	-96	-321
<b>Net debt (+) /net receivable (-)</b>	<b>8,982</b>	<b>7,640</b>	<b>-1,449</b>	<b>-299</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 2021	Cash changes	Non-cash changes	31 Dec 2022
Current interest-bearing liabilities excl. lease liabilities	1,600	-1,400	-	200
Lease liabilities	6,404	-1,707	4,353	9,050
<b>Reconciliation of liabilities attributable to financing activities</b>	<b>8,004</b>	<b>-3,107</b>	<b>4,353</b>	<b>9,250</b>

Reconciliation of liabilities attributable to financing activities	31 Dec 2020	Cash changes	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>

## NOTES

## 28. Accrued expenses and deferred income

	Group		Parent Company	
	2022	2021	2022	2021
Payroll-related items	1,897	1,763	77	65
Accrued bonuses and similar	230	243	-	-
Accrued real estate costs	95	52	-	-
Received, uninvoiced	370	125	-	-
Other accrued expenses	461	255	35	8
Other deferred income	169	103	4	4
<b>Total</b>	<b>3,221</b>	<b>2,541</b>	<b>117</b>	<b>76</b>

## 29. Pledged assets and contingent liabilities

	Group		Parent Company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
<b>Contingent liabilities</b>				
Guarantees for subsidiaries	-	-	256	244
Guarantees for others	2	2	-	-
PRI	5	5	-	-
Other contingent liabilities	13	13	1	1
<b>Total</b>	<b>20</b>	<b>20</b>	<b>256</b>	<b>244</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.

The Group has no pledged assets.

## 30. Events after the balance sheet date

No significant events have occurred after the balance sheet date.

## 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 approved for publication by the Board of Directors on 17 February 2023. 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 22 March 2023.

Stockholm, 17 February 2023

Mia Brunell Livfors  
*Chairman of the Board*

Fabian Bengtsson  
*Director*

Caroline Berg  
*Director*

Christian Luiga  
*Director*

Peter Ruzicka  
*Director*

Christer Åberg  
*Director*

Sara Öhrvall  
*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 2022-01-01–2022-12-31. The annual accounts and consolidated accounts of the company are included on pages 39–85 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 2022 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 2022 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 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 3 526 as of 31 December 2022. Goodwill has resulted from business combinations. The value of the reported goodwill depends on estimated cost of capital (WACC), sales growth and profitability development 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 2022.

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,
- Verifying input data from budgets and business plans in the forecast period,
- Testing of sensitivity analysis for each cash-generating unit, and
- Auditing the completeness and accuracy in relevant disclosures in the financial reports.

Valuation specialists have been involved in the audit procedures.

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

The other information includes the Remuneration report and pages 1–37 and 89–148 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.

## AUDITOR'S REPORT

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.

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/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description forms part of the auditor's report.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

### Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Axfood AB (publ) for the financial year 2022-01-01–2022-12-31 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

## 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 4a of the Swedish Securities Market Act (2007:528) for Axfood AB (publ) for the financial year 2022-01-01–2022-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report 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 ABC 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 is (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 me (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 firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable 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 validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts [and consolidated accounts].

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Deloitte AB was appointed auditor of Axfood AB (publ) by the general meeting of the shareholders on March 23, 2022 and has been the company's auditor since March 16, 2016.

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

Deloitte AB

**Hans Warén**  
Authorized Public Accountant



Sustainability

# Taking the lead in promoting sustainable food in Sweden

## Axfood taking the lead in promoting sustainable food in Sweden

Axfood is to take the lead in promoting sustainable food in Sweden by taking a stance, inspiring and offering guidance for 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 creating long-term, profitable and sustainable growth while also helping ensure the creation of economic value by strengthening brands, attracting customers and making Axfood an attractive employer. Axfood's sustainability work is therefore a comprehensive and integral part of the operations 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 SDGs. As a complement to its already published climate targets, Axfood is working on setting a climate target in line with the Science Based Targets initiative (SBTi).

### About this sustainability report

Axfood's sustainability report on pages 89–127 summarises the Group's sustainability efforts and outcomes for 2022, and complies with the Swedish Annual Accounts Act's sustainability report requirement. The sustainability report is prepared in accordance with the Global Reporting Initiative (GRI) Guidelines, GRI Standards 2021. Axfood reports comprehensive sustainability data on an annual basis, and the previous Annual and Sustainability Report was published on 25 February 2022. Certain types of data are reported continuously in Axfood's interim reports and year-end reports, for example strategic key ratios. The sustainability reporting framework mainly emphasises the targets and indicators that pertain to the entire Group. Queries about the report can be directed to Axfood's Head of Sustainability.

### Food

Axfood is working to make production models and consumption patterns more sustainable.

#### Focus areas

- Sustainable choices
- Food waste
- Good proteins

#### Key ratios 2022

27%

Share of sustainability-labelled product sales

1%

Share of food waste in Axfood's stores

Read more on pages 95–97

### The environment

Axfood works to minimise the food system's climate and environmental impact, keeping it within the limits of what the planet can sustain.

#### Focus areas

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

#### Key ratios 2022

-6%

Reduction of Scope 1 and Scope 2 greenhouse gas emissions

5%

Share of organic product sales

Read more on pages 98–105

### People

Axfood is working to improve work and social conditions throughout the food supply chain.

#### Focus areas

- Sustainable suppliers
- Diversity enriches
- Healthy habits

#### Key ratios 2022

93

Number of social audits in the supply chain with Amfori BSCI

35%

Share of women in management positions

Read more on pages 106–113

## SUSTAINABILITY IN EVERYTHING

### Integrated sustainability efforts

The strategic direction of sustainability efforts is set by Axfood's Board of Directors, which addresses overall sustainability issues at Board meetings. 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, guidelines 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 targets and issues.

Axfood's sustainability efforts permeate the entire organisation and are integrated into its operating activities. Sustainability coordinators and managers in the Group companies drive and continuously follow up Group-wide sustainability targets through action plans. A central sustainability function, internal networks and steering committees ensure that the joint targets are coordinated and that significant issues within the operations are assigned the right priority. To improve employee awareness about sustainability, the Group holds seminars and training sessions such as mandatory training on food's environmental impact and Axfood's sustainability efforts.

### Sustainability framework

Axfood's sustainability efforts are based on a sustainability programme that includes a sustainability policy and some 40 targets that are revised annually by the Executive Committee. The sustainability targets are linked to Sweden's Environmental Objectives and the UN SDGs. The sustainability policy describes the direction and principles for sustainability, which are 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. 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. Read more about the sustainability programme on pages 123–127.

Several governance documents and guidelines, such as guidelines about ethical conduct rules, products, sustainable establishments, sustainable IT and seafood, supplement the overall sustainability programme with information about how operations are to be governed. During 2022, work continued on updating and supplementing the governance documents that drive operational sustainability efforts in the Group.

Axfood's quality and sustainability strategy governs purchasing and assortment, and contains requirements beyond legal ones, including 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. Axfood's work with quality ensures that its assortment complies with statutory requirements, Axfood's policies and guidelines, the store chains' assortment strate-



gies, and labelling and certification of products. 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 are approved in accordance with an established procedure, where Dagab's product advisory board makes a decision based on information compiled using a special form.

### The Code of Conduct guides social efforts

Social efforts in Axfood include supporting good working conditions in the supply chain, and to this end the UN "Protect, Respect and Remedy" framework is applied 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 to adhering to the UN's fundamental human rights framework.

Axfood is to conduct its business in accordance with generally accepted business practices and high ethical standards in all relationships with all stakeholders. The Group's Code of Conduct, which is resolved on annually

by Axfood's Board of Directors, 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 vision, purpose and strategy. 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.

The employees concerned – mainly buyers of private label products – receive training in Axfood's Code of Conduct, and all of the Group's employees are informed about the most important parts of the Code. Suppliers are required to certify their compliance with the Code in connection with purchasing or, alternatively, Axfood accepts the supplier's own code of conduct if it meets the same level. The Code 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

## Methodology

The purpose of the materiality analysis is to ensure that the right priorities are set for sustainability efforts based on current knowledge from Axfood's own operations, the latest sustainability 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 assessment.

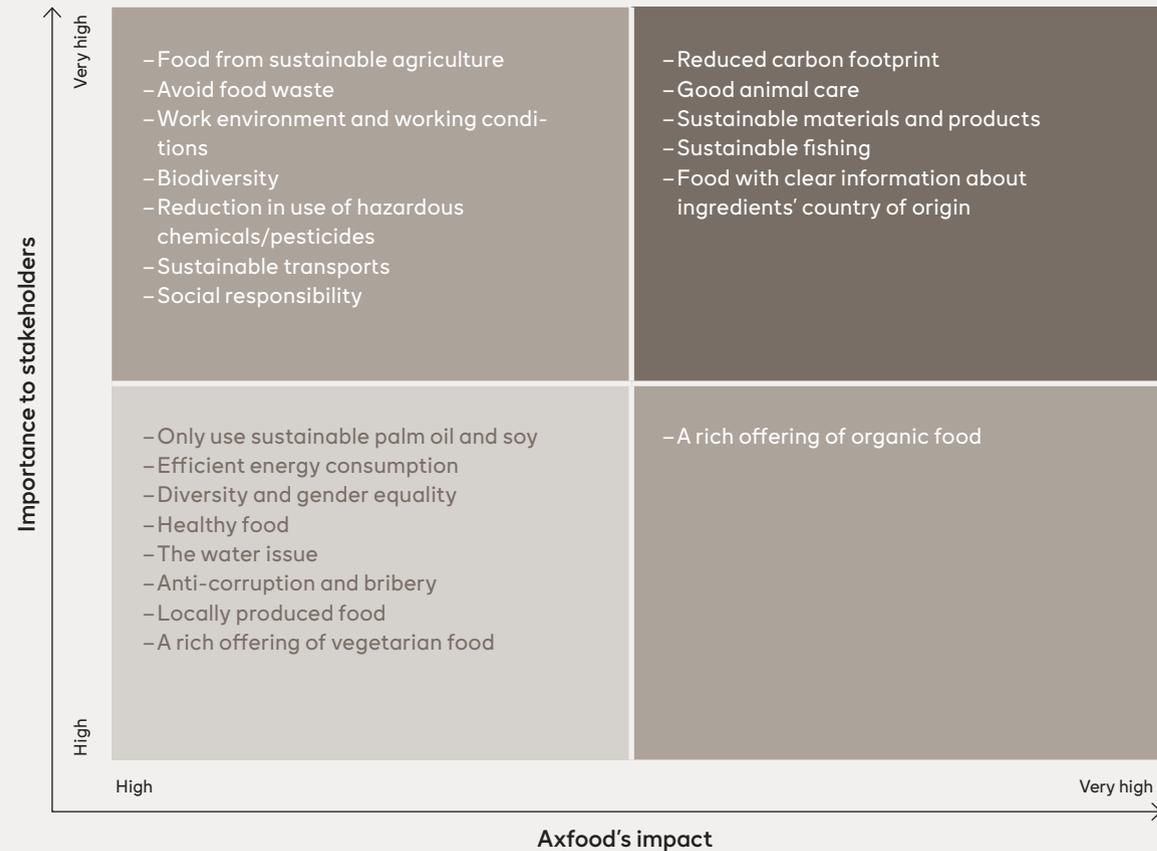
The most recent materiality analysis was conducted as late as in 2021. As results were in line with previous analyses, and also considering that new rules and guidelines for sustainability reporting is expected in the near future, Axfood did not conduct a new materiality analysis during the year.

The method used for the materiality analysis can be divided into two parts: stakeholders' views and Axfood's impact. Stakeholders' views have been identified through a stakeholder dialogue based on surveys; see the summary table on the next page. 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 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. Taking into consideration both the actual impact of the business and the potential to make a difference ensures that the right priorities will be set 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 deemed 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 that are now basic reporting areas. Other areas, such as the environmental impact in agriculture, are a major challenge for both Axfood and the industry as a whole, and reliable data is lacking in some cases. The materiality analysis will be updated going forward to meet future regulatory requirements.

## 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.

## SUSTAINABILITY IN EVERYTHING

## Stakeholder dialogue

Stakeholders	Channels for dialogue	Material issues
Customers	Customer meetings in stores, Axfood's consumer contact, focus groups, customer and consumer surveys, customer magazines, reports, websites and social media. In 2020, Axfood performed a survey through Kantar 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 other important issues.
Employees	Internal channels such as Axfood's intranet, employee meet-and-greets, meetings and conferences, and employee surveys.	Work environment and good working conditions are the most important sustainability issues to employees, both internally and at suppliers. Other issues that employees consider important are reducing food waste, advocating good animal care, sustainable fishing and agriculture, and diversity and gender equality.
Suppliers	One-on-one supplier meetings, large supplier meet-and-greets, collaboration projects, social audits and training of suppliers' employees in risk countries.	The climate is the most important sustainability issue for Axfood's suppliers. Avoiding food waste, efficient energy consumption and sustainable agriculture as well as efficient water use are considered important, as are work environment, working conditions and healthy food.
Investors	The Annual General Meeting, presentations about interim reports and year-end reports, capital markets days, seminars, conferences, websites and one-on-one meetings.	The dialogue with investors shows that a reduction in carbon footprint is most important, with a focus on reduced food waste, efficient energy consumption, sustainable agriculture and efficient water use. Work environment and working conditions, anti-corruption and bribery, and healthy food are other important issues.
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 through biodiversity and sustainable agriculture. Sustainable fishing, good animal care, sustainable materials and clear information about ingredients' country of origin are also important issues, as are work environment and working conditions.



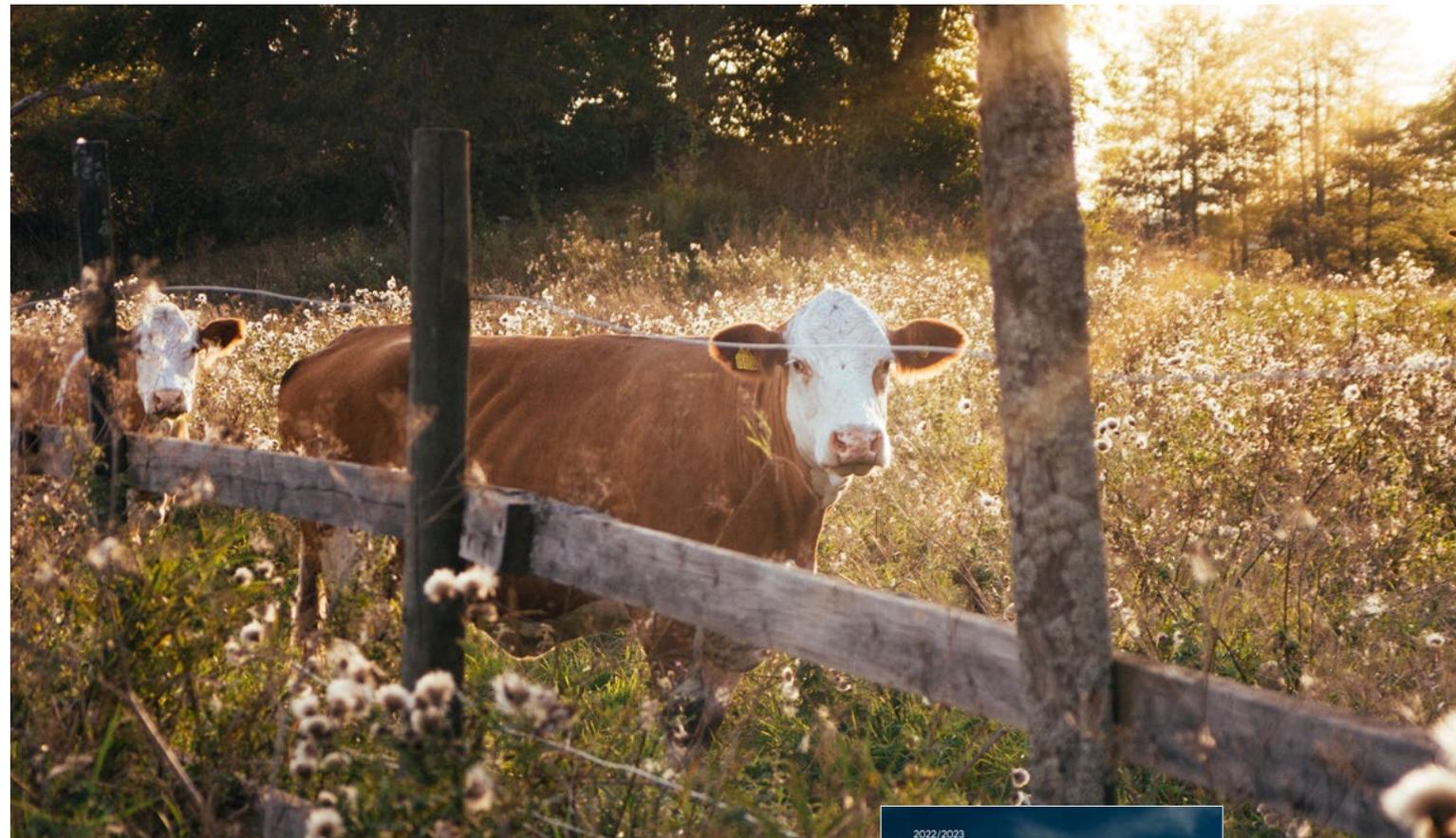
## SUSTAINABILITY IN EVERYTHING

**A positive force in society**

The food industry is facing major sustainability challenges, with an increased impact on the climate and environment. Axfood wants to be a force for positive change that takes the lead in promoting sustainable food in Sweden by influencing decision-makers, leading the way through its own initiatives and driving industry issues. Axfood's structure with different concepts enables own initiatives that also result in important changes beyond its operations. Initiatives where Axfood went first and others followed include country of origin labelling for meat, deposits for plastic fruit drink and juice bottles, and no longer selling red-listed fish and shellfish. 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. In 2022, a proposal was presented to reduce or abolish VAT on sustainability-labelled products to encourage sustainable food production and consumption.

Many issues require cooperation with others in order to achieve sustainable solutions that contribute to change over time. Axfood therefore 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 other industry players in the Swedish Food Retailers Federation. Producers and suppliers are also important partners for cooperation. Axfood takes an active role within groups like Organic Sweden, which 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, for example, the collaboration with the Swedish Food Retailers Federation. When it comes to reduced climate impact, the Haga Initiative business network, an organisation that Axfood 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 engages in dialogue with politicians and authorities in order to increase their knowledge about the food retail industry and drive development within various sustainability issues. Each year, Axfood publishes the Mat 2030 report, the Group's proposal for a sustainable food strategy for Sweden.

**The Mat 2030 report**

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 seventh edition of the report, containing over 100 proposals for politicians, authorities and industry, was published in 2022. 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 in Swedish and English on Axfood's website.

»» [Read the Mat 2030 report](#)



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 patterns. Axfood's sustainability efforts in this area 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.

The target is for the share of sustainability-labelled products to amount to at least 30% of Axfood's retail sales 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 have several advantages and 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. The share of sustainability-labelled products is reported externally on a quarterly and annual basis.

By measuring the share of sustainability-labelled products in relation to retail sales, the effect of the assortment's gradual contribution to more sustainable consumption can be seen. Consolidation and follow-up of results are conducted centrally, but outcomes 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.

### 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 at the latest compared with the base year 2015. Results are reported annually as a share of total food sales.

Measures to reduce food waste vary from company to company within the Group. When it comes to reducing food waste, the most important measures involve optimising orders and reducing prices for products that are

### Overall target

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

### Key ratios 2022

27%

Share of sustainability-labelled product sales

3%

Share of KRAV-certified meat sales

77%

Share of sales of sustainability-labelled fish in private label products

1%

Share of food waste in Axfood's stores in private label products



## FOOD

nearing their best-before dates or are believed to be hard to sell at regular prices for other reasons. Store employees report food waste on a daily basis through an internal database using handheld computers. Consolidation at the Group level is conducted centrally.

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. More than 150 of the Group's stores and warehouses collaborate with various social organisations to donate food that they have not been able to sell. During the year, Axfood and other players in the food retail industry expanded their operations through the Swedish Food Retailers Federation and several suppliers. A total of three new subsidised grocery stores opened in Stockholm, and five additional new openings are planned for 2023. The new partnership is expected to reduce annual food waste by up to several thousand tonnes. Willys is a co-founder of Matmissionen in Malmö and two subsidised grocery stores under the name Maträtt in Gothenburg.

### Good proteins

Animal 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 consumption. All fish and shellfish sold in Axfood's stores is to be ecolabelled or greenlisted by the WWF's fish guide, and meat is to have essential animal protection certifications. The greatest challenge is to encourage Swedish meat producers to certify its meat with the "IP Nöt Grundcertifiering" 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 meat from natural grazing and the Svenskt Sigill, Svenskt Sigill Klimatcertifierad and KRAV labels, Swedish meat lacks animal protection certification. Axfood therefore advocates that IP Nöt Grundcertifiering be introduced for Swedish producers.

Follow-up of compliance with the quality and sustainability strategy is conducted through inspections to see how animals are raised and handled during slaughter. Whenever possible, audits are conducted by independent accredited companies, but can be performed by the Group's own quality specialists when necessary.

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.

None of Axfood's chains sell eggs from caged hens, and comprehensive work with private label products is ongoing to phase out eggs from caged hens that are ingredients in products. Only a limited amount of goods remain, none of which are from Garant or Eldorado.

### 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 guidelines for seafood, fish and shellfish from threatened stocks are not to be sold in the Group's stores, which is ensured through close collaboration with suppliers. Fish must be traceable to its stock, fishing zone/farm site and fishing method. The guidelines for seafood state that Axfood's range may not include fish or shellfish that are red-listed according to the WWF's fish guide unless it is certified according to MSC, ASC, KRAV or Svenskt Sigill. The guidelines for seafood are published on Axfood's website.

The goal of Axfood's sustainability programme is for all fish and shellfish sold in the Group's stores to be ecolabelled according to MSC, ASC, KRAV or Svenskt Sigill, alternatively to be greenlisted according to the WWF's fish guide, by 2025 at the latest. This is a challenging goal, since most fishing waters are fully utilised or overfished. Further challenges are that the goal also encompasses items containing extremely small quantities of fish or shellfish as well as its application to private label products as well as suppliers' brands.

To be able to offer sustainable salmon from Sweden, Axfood supports Re:Ocean's large-scale, circular investment in land-based salmon farming. Approximately 10,000 tonnes of salmon are produced every year in one of Sweden's largest-ever food initiatives. The first salmon from the facility are expected to be sold in the Axfood Group's stores in 2025.

### 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.

In 2021, as part of a partnership, Axfood launched the product Cashewmeety, a natural, plant-based alternative to meat. Cashewmeety is produced from cashew fruit, millions of tonnes of which are thrown away every year when harvesting cashew nuts. Two ready meals made from Cashewmeety were launched in 2022.



## FOOD

### Share of sustainability-labelled products

Axfood's target is for the share of sustainability-labelled products to amount to at least 30% of retail sales by 2025 the latest.

%	2022	2021	2020
	26.6	28.1	28.3

Sustainability-labelled products as a share of total sales amounted to 26.6% (28.1), a decline compared to the prior year. This change was largely due to increased focus on price among customers as a result of ongoing food price inflation. Sustainability-labelled products often cost more since they are generally more expensive to produce. This is most apparent in the fruit and vegetables as well as dairy categories. 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.

### Share of food waste

Axfood's target is a 50% reduction in food waste as a share of retail sales for own operations by 2025 the latest compared with 1.7% in the 2015 base year.

%	2022	2021	2020
	1.2	1.2	1.3

In 2022, the volume of food waste corresponded to 1.2% (1.2) of net sales. Hand-held computers that identify products that are expiring, donations to charitable organisations, clearance prices for products nearing their best-before dates, and bargain bags and boxes in stores with fruits and vegetables are examples of initiatives to reduce food waste. Willys and Garant launched a waste-smart product line made up from food that was previously discarded. Willys introduced a new waste-smart bread concept. Snabbgross began selling fruits and vegetables that are damaged or need to be eaten soon at half price in a number of stores.

### Share of KRAV-certified meat

Axfood's target is to increase the share of retail sales of KRAV- and/or Svenskt Sigill-labelled meat.

%	2022	2021	2020
	2.7	2.9	3.1

The share of KRAV-certified meat sales also declined slightly during the year to 2.7% (2.9). This change was largely due to increased price consciousness among customers as a result of ongoing food price inflation. Hemköp continued to have the highest share of KRAV-certified meat sales in the Group.

### Share of sales of fresh and frozen private label seafood products with valid certification

Axfood's ambition is to sell exclusively ecolabelled fish and shellfish products or products green-listed in the WWF's fish guide by 2025 at the latest.

%	2022	2021	2020
	77.1	67.7	62.5

During the year, 77.1% (67.7%) of the fish and shellfish products sold in Axfood's stores was certified. Sales are being boosted by a deliberate approach to sales and the assortment. Except for farmed Norwegian salmon, currently all frozen fish sold in the Group's stores is certified. The increase is primarily attributable to changes in the sales mix, with a higher share of certified cod and a smaller share of farmed Norwegian salmon, likely as a result of greater cost consciousness among customers due to high food price inflation.

### Growth in vegetarian protein substitutes

Axfood is to rapidly develop its vegetarian assortment.

%	2022	2021	2020
	1.7	-1.6	15.1

The trend in recent years means that Swedish consumers are increasingly choosing to eat more plant-based proteins. This was confirmed by Axfood's yearly "Vegobarometer" consumer survey. Sales growth during the year was however relatively weak and amounted to 1.7% (-1.6). The private label assortment of vegetarian products was expanded during the year to include new items such as ready meals made from Cashewmeetly, organic tofu, crispy fish-free "fish" fingers and vegetarian nuggets. Special promotional campaigns for vegetarian products were carried out both in stores and online.

## THE ENVIRONMENT

## The environment

The production of food contributes to greenhouse gas emissions, water stress, land exploitation and loss of biodiversity. Axfood is to take the lead in promoting more sustainable food in Sweden, in which production methods and consumption patterns have the smallest ecological footprint possible. 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 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, water and recyclable materials.

### Reduced carbon footprint

Axfood's climate targets encompass both its own and suppliers operations as well as reducing the climate impact per kilo of food sold. Axfood's own operations are to have net zero emissions by 2030 at the latest in order to help limit greenhouse gases emissions to meet both Sweden's Environmental Objectives and the Paris Agreement. Axfood's climate target states that emissions need to be at least 85% lower compared with the base year 2020. The Group's carbon emissions from purchased energy, refrigerants, business travel and transports are offset by measures to bind or counteract equivalent quantities of greenhouse gas emissions in another area. In 2022, this was carried out through the company Eken Financing AB, which ensures that forests stand longer to bind more carbon, and in the certified projects Biokol.se and Solvatten. Biokol.se produces biocarbon that is mixed in farmland, while Solvatten provides people in developing countries with clean and hot water in a more environmentally friendly manner. Axfood is also working on setting a climate target in line with the Science Based Targets Initiative (SBTi).

The greatest sources of emissions from Axfood's own operations come from transports between stores and warehouses as well as leaks of refrigerants from refrigerators and freezers in warehouses and stores. Reporting

### Overall target

- 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 2022

# -6%

Reduction of Scope 1 and Scope 2 greenhouse gas emissions

# 100%

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

# 276

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

# 5%

Share of organic product sales



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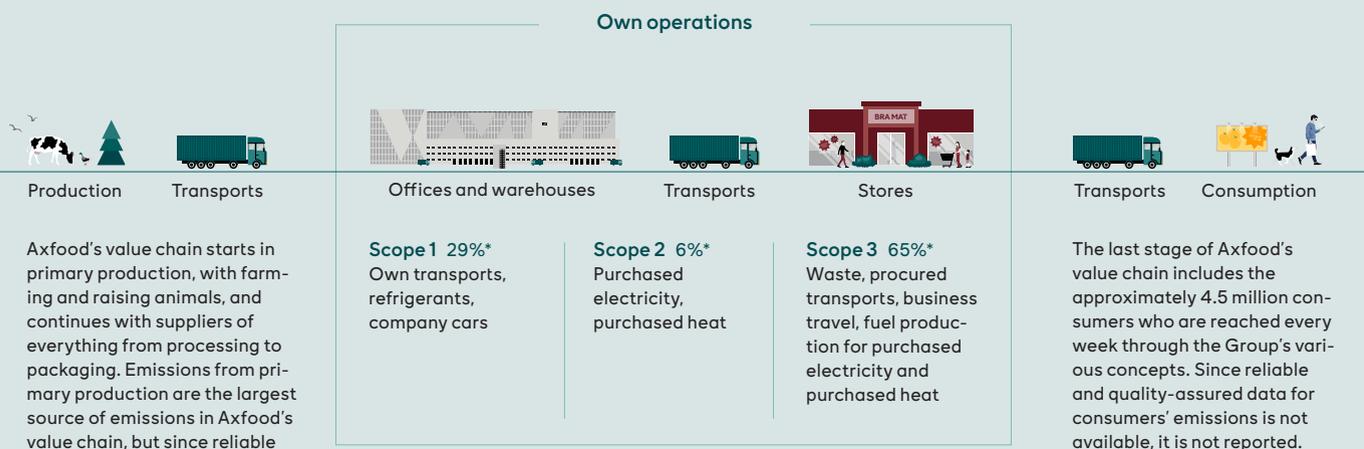
therefore mainly focuses on Scope 1 and 2 emissions (direct and indirect sources of GHG emissions), where there is the greatest opportunity to make an impact. Scope 1 emissions pertain to the Group's direct carbon footprint, while Scope 2 emissions pertain to emissions from purchased energy, the absolute majority of which is green electricity from solar, wind and hydro power that Axfood purchases. 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. In reporting for 2022, emissions include emissions from business travel, procured transports between warehouses and stores, and waste. Axfood 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 challenging for the food retail industry as the majority of emissions arise in agriculture and are therefore difficult to affect or measure since they are largely the result of biological processes. Food comes from numerous different farms as well, posing an additional challenge.

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.

The total carbon footprint in 2022 corresponds to 44,327 tonnes (41,336) of CO<sub>2</sub> equivalents. Scope 1 emissions continued to decrease, mainly due to a reduction in emissions from own transports as a result of greater use of renewable fuels. This decrease is also attributable to the continued work on replacing refrigeration and freezer units that have unavoidable leakages. Emissions from company cars were higher due to increased travel after pandemic-related restrictions were lifted, although still significantly lower than pre-pandemic levels. Scope 2 emissions increased and are associated with purchased electricity from the smaller warehouses that are not covered by Axfood's central contract for fossil-free electricity. 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. Overall, Scope 1 and 2 emissions declined -6.4%. Within Scope 3, the main increase was in emissions from procured transports due to higher growth, which resulted in more kilometres driven using fossil fuels.

In conjunction with the Annual and Sustainability Report, Axfood and other companies in the Haga Initiative prepare a joint emissions disclosure that presents the companies' climate impact and measures to reach the net

Axfood's value chain



\*of Axfood's total emissions.

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	2022	2021	2020
<b>Total GHG emissions</b>	<b>44,327</b>	<b>41,336</b>	<b>39,754</b>
<b>Direct GHG emissions (Scope 1)</b>	<b>13,007</b>	<b>14,126</b>	<b>15,568</b>
Own transports	9,663	10,928	11,992
Refrigerants	2,986	2,979	3,331
Of which, refrigeration units, Group-owned trucks	904	849	977
Of which, wholesale (warehouses)	0	50	62
Of which, retail	2,082	2,080	2,292
Company cars	357	219	246
<b>Indirect GHG emissions – market-based (Scope 2)</b>	<b>2,719</b>	<b>2,677</b>	<b>2,483</b>
Purchased electricity	2,560	2,520	2,335
Purchased heat	159	157	147
<b>Indirect GHG emissions – location-based (Scope 2)</b>	<b>19,887</b>	<b>20,563</b>	<b>16,087</b>
Purchased electricity	19,727	20,407	15,940
Purchased heat	159	157	147
<b>Other indirect GHG emissions (Scope 3)</b>	<b>28,601</b>	<b>24,532</b>	<b>21,702</b>
Waste	462	477	473
Of which, waste to recycling	321	338	338
Of which, for incineration	105	108	105
Of which, hazardous waste	35	32	24
Procured transports	24,787	21,007	18,299
Business travel	397	125	236
Emissions associated with fuel production, purchased electricity (market-based)	2,928	2,895	2,671
Emissions associated with fuel production, purchased heat	27	29	24

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zero emissions goal by 2030. The goal is to encourage engagement and demonstrate the connection between ambitious climate strategies and increased profitability through a joint, transparent climate disclosure.

**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. Axfood is also to exclusively use green electricity. To promote efficient use of resources, electricity 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. Sweden's largest rooftop solar power facility, measuring approximately 80,000 square metres, was installed on the new logistics centre in Bålsta and went into operation in early 2023. A rooftop solar park encompassing about 30,000 square metres was installed during the year atop the new fruit and vegetable warehouse in Landskrona. Axfood is also in the permitting process to build one of Sweden's largest onshore solar parks. These investments mean that Axfood is helping to increase the amount of renewable electricity in the electricity system.

Refrigerants used are to meet the requirements stipulated in the European F-gas Regulation (EU/517/2014). In refurbishments and new establishments, refrigeration systems are to be replaced by systems using natural refrigerants (CO<sub>2</sub> or propane). Within Willys, all stores use approved refrigerants, of which 75 have been converted to modern cooling systems with only natural refrigerants. A total of 15 stores were converted in 2022. All Group-owned Hemköp stores also use approved refrigerants, of which 41 have been converted to modern cooling systems. Approximately half of the retailer-owned Hemköp stores have so far transitioned to natural refrigerants. 20 of Snabbgross's stores have been converted to CO<sub>2</sub> systems. In total, 27 of Snabbgross's stores use refrigerants that are approved by the F-gas Regulation.

**Drastic measures to reduce electricity consumption**

Axfood has had ambitious energy efficiency targets for several years, and has worked systematically for a long time to reduce its electricity consumption. The Group's electricity consumption, for example, is to decline 10% per square metre by 2025 (compared with the base year 2020). In 2022, the work was complemented with efficiency measures in operations, especially in stores, to help reduce the risk of power shortages and planned stoppages in the Swedish electricity grid due to the current social challenges related to energy supply. Major and minor energy saving measures were implemented to help reduce electricity consumption in the short and long term.

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 and warehouses that sell surplus heat to the district heating network.

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 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.

For example, efforts to transition to LED lighting were accelerated and temperatures were optimised for refrigerators, freezers, warehouse space, e-commerce lockers, ovens and grills. Additionally, a review was made of functions that can be shut down for periods, such as lighting for facades, outdoors and parking lots. At the Group-owned stores within Willys, Hemköp, Snabbgross and Eurocash, these measures are expected to reduce electricity consumption by up to 18 million kWh, which represents close to 8% of the stores' total electricity consumption.

**Energy intensity**

**GRI 302-3 Energy intensity**

MWh	2022	2021	2020
Total energy consumption kWh/net sales KSEK, %	0.36	0.45	0.49
Purchased electricity kWh/sq. m. (Group)	276.2	289.7	297.2
Purchased electricity kWh/sq. m. stores (total area)	289.7	308.3	318.0
Purchased electricity kWh/sq. m. wholesale	209.2	202.7	202.2

Energy intensity measured in relation to Axfood's net sales decreased 0.09 of a percentage point in 2022. Net sales increased substantially during the year as a result of high food price inflation and increased customer traffic in physical stores. However, energy intensity also decreased in terms of square metres, 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 store chains are taking a number of additional measures to accelerate the reduction of electricity consumption. Read more below. 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.

**8%**

Calculated reduction of stores' total electricity consumption with new measures

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## Energy consumption

## GRI 302-1 Energy consumption within the organisation

MWh	2022	2021	2020
<b>Total energy consumption within the organisation</b>	<b>366,613</b>	<b>347,674</b>	<b>341,955</b>
<b>Fuel consumption</b>	<b>68,426</b>	<b>60,885</b>	<b>58,041</b>
Renewable fuel	48,377	35,205	28,016
Non-renewable fuel	20,049	25,680	30,025
<b>Purchased electricity</b>	<b>283,441</b>	<b>272,815</b>	<b>275,095</b>
Retail, including head offices	229,944	230,773	233,642
Wholesale	53,496	42,042	41,453
<b>Purchased heat</b>	<b>8,124</b>	<b>8,310</b>	<b>3,973</b>
Retail	4,092 <sup>1)</sup>	3,610 <sup>1)</sup>	419 <sup>2)</sup>
Wholesale	4,032	4,700	3,553
<b>Self-generated energy</b>	<b>11,665</b>	<b>11,183</b>	<b>10,362</b>
Heat from refrigeration systems	9,364	9,609	9,477
Electricity from solar panels	2,301	1,574	885
<b>Sold energy</b>	<b>5,043</b>	<b>5,519</b>	<b>5,516</b>
Heat	5,043	5,519	5,516

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

2) Pertains to purchased supplemental heat from Snabbgross.

Total energy consumption amounted to 366,613 MWh (347,674) in 2022. The increase is mainly attributable to higher fuel consumption as a result of more transports as well as more purchased electricity. The acquired operation Bergendahl Food AB is included as of 2022. Use of renewable fuel increased, while use of non-renewable fuel continued to decline, which is a result of Axfod's diversification strategy to reduce the use of fossil fuels.

The amount of self-generated electricity increased during the period, as two new solar panel systems on store rooftops were put in operation. In total, 17 such systems were in operation for most of the year. The amount of purchased electricity for stores decreased as a result of continued efforts to improve energy efficiency. As in the preceding year, more than half of the self-produced heat could be sold onward.

## Green transports

Transports between warehouses and stores account for the greatest share of the carbon footprint from Axfod's own operations. Therefore, Axfod is engaged in a comprehensive process to minimise emissions and environmental impact from logistics. Choosing sustainable fuels means constantly taking changing conditions into account. To diversify risks and opportunities, Axfod has therefore chosen to diversify the vehicle fleet and uses multiple types of trucks as well as fuels. This enables Axfod to contribute to the development of new types of vehicles, the production of sustainable fuels and infrastructure. The conversion of the delivery fleet by increasing the share of electric vehicles is continuing in order to further reduce the impact from transports. All Group-owned trucks can be driven on fossil-free fuels. At year-end 2022, Axfod owned 180 (155) heavy-duty trucks and 90 (107) light trucks.

Since more than half of goods are distributed between warehouses and stores using Axfod'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 subcontracted transports as well. Axfod 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 performed in accordance with the so-called reduction obligation and the Swedish Sustainability 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. With the help of transport optimisation systems, loads can efficiently be planned and routes are optimised. All trucks are equipped with a monitoring system that allows Axfod 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. 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	2022	2021	2020
Own distribution	13.6	16.8	15.6

Total CO<sub>2</sub> effect per tonne of delivered goods for the Group's own transports decreased significantly to 13.6 kg CO<sub>2</sub>e (16.8). This decrease was primarily attributed to higher use of renewable fuels as a result of the continual conversion of the vehicle fleet. Use of fossil fuel in the fuel mix decreased and diesel use fell to 29% (55%) in favour of more RME (B100) and liquid biogas.

This work is continuing, for example by increasing the share of electric vehicles, in order to further reduce the climate impact of transports. In 2021, Dagab's first fully electric heavy-duty truck went into operation. During 2022, a 64-tonne electric truck and trailer, the first of its type in Sweden, was also put into operation using smart technology for heavy refrigerated and frozen electrified food transports. Charging with green electricity results in 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.

## Sustainable materials

Being better at using the resources that are already in circulation is an important part of Axfod's sustainability efforts. Axfod 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 highly prioritised. The objective is to reduce the use of plastics and prioritise renewable and recycled material without hazardous chemical compounds.

## Packaging

Axfod 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 can help reduce food waste. Together with other members of the Swedish Food Retailers Federation, Axfod has set a packaging target for its private label products. More sustainable plastic packaging will be used, and the purchase of recycled material and the share of products that are designed for recycling will both increase. At the same time, Axfod will advocate for regulations and incentives that promote a transition to circular material flows.

Axfod 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; elimination of hazardous compounds (SIN - Substitute It Now) and increased use of FSC-certified paper (Forest Stewardship Council)

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for sustainable forestry. 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 serves as the basis for a zero measurement surrounding the amount of material used. It is used to document which material is to be used and what changes should be made to achieve the targets.

Axfood is pursuing the duty to inform with regards to sales between companies, and has raised the issue of chemicals in packaging within the Swedish Food Retailers Federation, which now uses the SIN list as an essential tool in its packaging work. Phasing out the use of compounds on the SIN list in packaging is challenging since 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 of a product would facilitate setting requirements above and beyond the legal requirement.

A few years ago, Axfood was the first food retailer in Sweden to introduce deposits for plastic 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, Axfood became the first company in the food retail industry to complete a database containing approximately 18,000 different packaging materials, with the aim to accelerate the transition to recyclable packaging made from renewable or recycled material. All of Axfood's suppliers of private label products participated in the work of collecting and compiling information on the exact packaging components and material contained in each product. The database makes it possible to retrieve information on which products use the largest volumes of materials that need to be replaced.

An industry-wide declaration of intent concerning packaging of frozen products has been adopted in order to accelerate the recycling of all packaging of private label products. During the year, several new forms of packaging were therefore produced using better material and less pressure to make them better suited for recycling. In 2022, packing with less plastic was used for a number of Axfood's private label products, such as Garant's organic pasta and Garant's ready-made meatballs.

### 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 also receive complementary reports from all waste handling contractors. The Group's 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 for Group-owned stores.

### Incinerated waste

	2022	2021	2020
Incinerated waste, tonnes	12,586	12,931	12,566
Incinerated waste as a share of Group net sales, %	17.1	22.3	23.4

### Weight of waste

#### GRI 306-3 Waste generated

Tonnes	2022	2021	2020
Glass, coloured	61	92	96
Glass, clear	47	74	75
Hard plastic	359	228	227
Office paper and newspapers	524	852	670
Shrink and stretch wrap	1,547	1,477	1,447
Metal	256	177	161
Organic waste <sup>1)</sup>	8,103	8,367	8,923
Wood	310	233	295
Corrugated board	27,365	29,060	28,696
<b>Waste for recycling</b>	<b>38,573</b>	<b>40,561</b>	<b>40,588</b>
Incinerated waste	12,586	12,931	12,566
Landfill	14	1	12
Hazardous waste	93	84	63
Other waste	158	4	6
<b>Total</b>	<b>51,424</b>	<b>53,581</b>	<b>53,235</b>
<b>Recycling rate, %</b>	<b>75.0</b>	<b>75.7</b>	<b>76.2</b>

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

The total amount of waste declined in 2022. The recycling rate also decreased slightly to 75.0% (75.7), partly due to limited opportunities for several stores to sort their waste into fractions but also due to the continuing effects connected to the Covid-19 pandemic. Corrugated board, waste for incineration, organic waste, and shrink and stretch wrap were the waste fractions that generated the largest volumes. One reason for the reduction in the amount of organic waste during the year was the target-oriented 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. This includes, for example, carbon footprint, biodiversity, the use of pesticides and eutrophication. Axfood's environmental responsibility thus extends to the farming sector as well as to sustainability labelling, for example organic goods. Axfood will improve the offering of sustainable products while imposing stricter requirements for the broad assortment.

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Biodiversity

Biodiversity is a precondition for most food production – around one third of food depends on pollination by insects like bees, bumble bees and butterflies. Axfood strives to preserve biodiversity within several operating areas. A single strategy is being developed that summarises the Group's impact on biodiversity and describes the overall work for preserving a rich diversity of plant and animal life during 2023.

There are recommendations for how to create green spaces when building new stores and warehouses to replace the loss of biodiversity. For example, plants can be placed around parking spaces and buildings, green roofs created and insect hotels installed.

The Group's diversified vehicle and fuel policy ensures that no raw goods from palm oil are mixed in the fuel to counteract further clearance of the rainforest. For the same reason, only certified palm oil and soy are used in private label products. All coffee, tea, chocolate and cacao sold under private labels are sourced from growers with approved certifications from the Rainforest Alliance or Fairtrade. The Group's procedures for water use also help preserve biodiversity in the agricultural landscape. Axfood's proposal for a sustainable food strategy for Sweden, Mat 2030, includes suggestions such as expanded grazing and conversion of bulls to steer for increased grazing of natural grazing land with rich plant and animal life. The target to only sell fish and shellfish products that is ecolabelled or green-listed in the WWF's fish guide contributes to preserving biodiversity in oceans and lakes.

Axfood's target of increasing the share of sales of organic and sustainability-labelled products impacts biodiversity and is an important incentive to pivot toward more sustainable food production and consumption.

Organic

In recent years, the trend for organic products has been in decline across the entire industry, and the share of sales for the Axfood Group fell to 5.1% (5.8) in 2022. Fruits and vegetables and dairy accounted for the largest decrease, while a positive trend was noted for organic beverages and snacks. Several new private label organic products were launched during the year. Special promotional campaigns for organic products were carried out both in stores and online.

Organic sales

	2022	2021	2020
Share of organic sales, %	5.1	5.8	6.1

Risk ingredients

The environmental and social impact of different products varies, even within the same category. Axfood can help impact the environment in a more sustainable direction by managing its assortment. Axfood uses various ecolabels 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 a wide 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 organic growers that have approved certifications from the Rainforest Alliance or Fairtrade. All bananas in the fresh fruits and vegetables range are to carry sustainability certification from Fairtrade, KRAV or Rainforest Alliance. 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 unless it is certified according to MSC, ASC, KRAV or Svenskt Sigill. Any exceptions or departures from the applicable policies and governance documents must be approved by Dagab's product advisory board or Managing Director.

List of banned pesticides

Axfood has prepared a list of pesticides that are not accepted in growing. 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 industry, with certain exceptions. The Swedish Food Retailers Federation is currently responsible for updating the list. Uniform requirements from the industry 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 in a risk area will use a recognised water standard or the equivalent by 2025 at the latest. Axfood employs a water procedure for its fresh fruit and vegetable 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. If there is a high risk of water stress, a water standard is required. Business will not be conducted with suppliers who cannot provide a water standard unless they can present an acceptable action plan. Water standards were implemented for fresh fruit and vegetables in 2022 and will be expanded to other areas in 2023.



# 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, what Axfood is doing to develop strategies to manage these consequences and the Group's management of risks and opportunities.

Employing the TCFD's recommendations involves assessing 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. Axfood employs many of the recommendations and structures 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 SDGs and Sweden's Environmental Objectives at the same time. 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 monitors the risk management framework and is provided with an annual mapping 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 stake-

holder dialogue and materiality analysis in order to determine where the Group should concentrate its efforts. The most recent analysis was carried out 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, to respond better 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 Paris Agreement. The Group has a target of net zero emissions in its own operations by 2030 at the latest. The target states that emissions need to be at least 85% lower compared with the base year 2020 and that the remaining emissions need to be climate compensated. In addition, the Group has been increasing its efforts to reduce emissions in the rest of the value chain (including Scope 3). The process of setting a climate target in line with the SBTi has been initiated.

Climate change is the most serious global challenge facing humanity, creating significant strains and risks for the planet. Climate reports from Intergovernmental Panel on Climate Change (IPCC) show that climate change is already affecting food production worldwide through, for example, 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 assess, is now considered urgent.

Agriculture is clearly responsible for a significant 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, however. The combined impacts of transition risks and physical risks should therefore be assessed based on multiple scenarios. Axfood has the ability to ward off the impact of such scenarios by increasing diversification of risk and changing its procedures, which will also help work to adapt 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. Axfood 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.

The Group has begun to map out its climate risks and biodiversity. This will be completed in 2023 and form the basis for initiatives and projects designed to reach the Group's sustainability targets. Global warming may create wide-ranging impacts for Axfood 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.

## THE ENVIRONMENT

### Risk management

To prevent risks or mitigate their effects and loss, Axfood employs an established risk management process whereby climate and other risks are continuously identified, managed and reported (see pages 33–36). 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 Axfood'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 Axfood'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, more investments may be needed 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 ware-

houses 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. Axfood 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 Axfood. 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. Purchasing green electricity and increasing the share of self-generated energy reduces emissions and, thanks to a reduced purchasing need, lowers 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

Axfood reports several key ratios for sustainability targets that meet identified risks. The climate targets help in various ways to reduce greenhouse emissions from Axfood's own operations and in the supply chain. The methods used to define and measure the targets are stated in the reporting principles (see pages 114–115).

The overall climate target entails achieving net zero emissions from own operations by 2030 at the latest. The target means that emissions need to be at least 85% lower compared with the base year 2020 and that the remaining emissions need to be climate compensated. Axfood is to reduce electricity consumption by 10% per square metre to 2025 (base year 2020), 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 (base year 2019). A compilation of the Group's Scope 1 and 2 as well as parts of the Scope 3 emissions can be found on page 99. Emissions from the Group's delivery fleet are to be reduced by at least 30% by 2025 (base year 2020). The use of plastics is to be reduced by 25% by 2025 (base year 2019).



## 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. Expanded consumption of healthy products is an important step toward improving consumer health. Axfood's efforts in this area 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 often built upon multiple tiers 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. Industries in countries generally not considered risk countries are scrutinised if they have a large share of foreign seasonal workers. The problem of risk sectors can be found in Sweden as well, which is why Axfood – together with Axfoundation – took part in developing the IP Sigill Arbetsvillkor ("IP Sigill Working Conditions") standard for production of fruits and vegetables in Sweden that relies on seasonal workers. All Swedish fruit and vegetable suppliers that use foreign seasonal workers are certified according to this standard or an equivalent.

The supplier base for the private label product assortment is made up of 439 (450) suppliers and 1,311 (1,232) sub-suppliers. A total of 465 (501) suppliers and sub-suppliers in this group have production located in risk countries on Amfori BSCI's list of risk countries, which is why purchasing from these suppliers is followed up. As of 2022, Ukraine is not defined as a risk country to avoid placing unreasonable demands on Ukrainian suppliers while the war is ongoing.

### Overall target

- In the long term, achieve an even gender breakdown in management positions in Axfood
- 20% of Axfood's managers will come from an international background

### Key ratios 2022

# 93

Number of social audits conducted by Amfori BSCI in the supply chain

# 35%

Share of women in management positions

# 17%

Share of managers with international background

# 7%

Share of sickness-related absence



PEOPLE

All supplier agreements are negotiated centrally by Dagab. By coordinating purchases of the Group's total volumes, Axfood gains strong purchasing 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**  
Axfood's Code of Conduct follows the UN Guiding Principles on Business and Human Rights. The purchasing process includes continually monitoring social and environmental risks and requiring that action be taken when needed. Axfood 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 is represented on the ETI Sweden's board as well as its food and beverage working group.

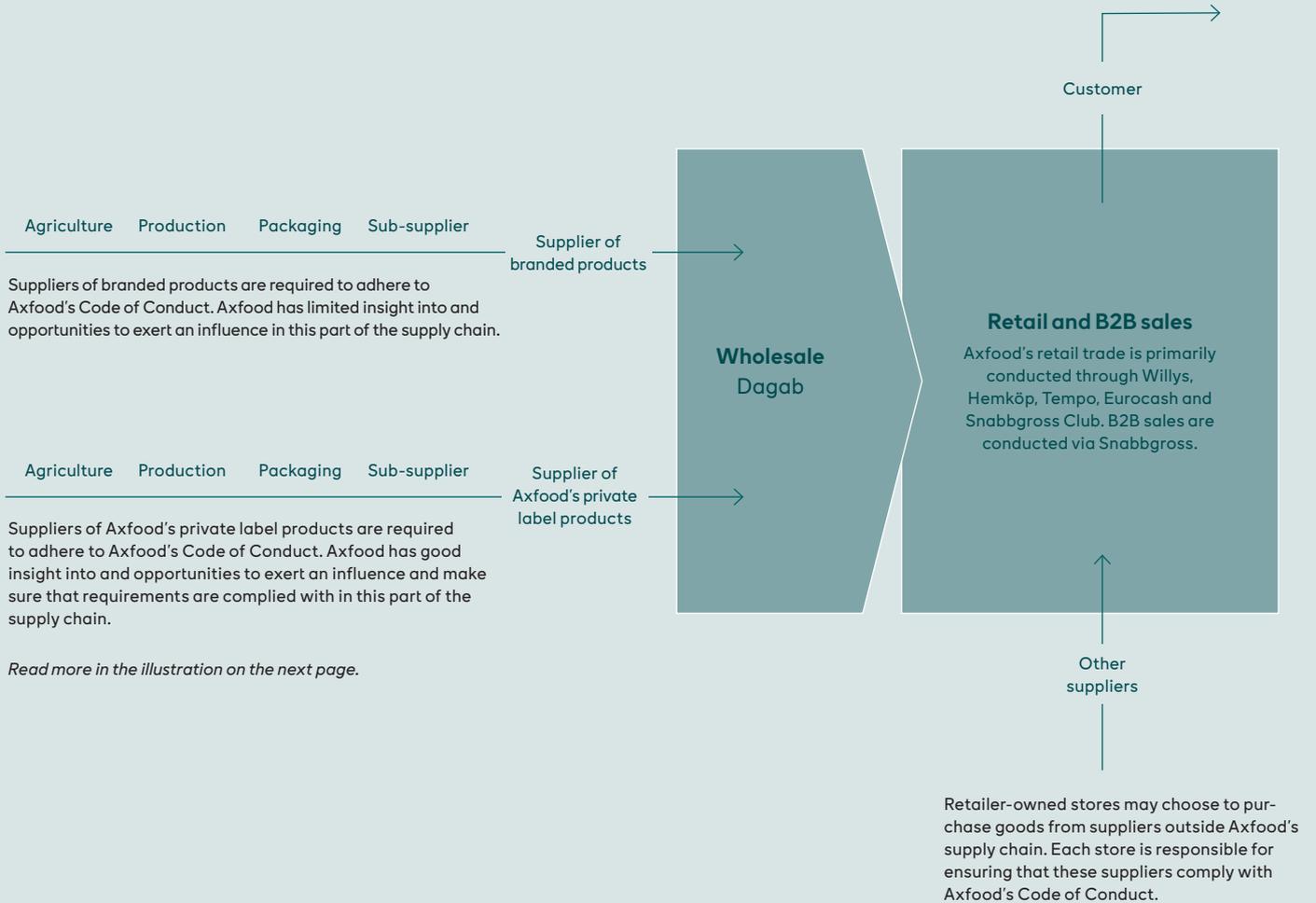
Axfood requires its suppliers to demonstrate a systematic approach to complying with the Group's Code of Conduct and responding to identified sustainability risks. For example, they may provide evidence of social site audits, collective bargaining agreements with union organisations or projects with relevant stakeholders. The Maplecroft risk database is used as a comparison to the suppliers' own risk assessments.

**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 of Conduct 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, 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 a product or at least 5% of an ingredient or product comes from a risk country.

**Axfood's supply chain**



## PEOPLE

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. Information about risks for various ingredients is regularly 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 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.

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 the heads of private label as well as quality and sustain-

ability. In 2022, exceptions were made within the vegetable oil segment, where it had proven difficult to obtain full transparency and social audits. 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 them against unfair competition from suppliers who avoid responsibility. Axfod has been employing this procedure for several years and has seen major improvements in categories such as frozen prepared foods, rice, tuna and legumes. More suppliers are mapping their own supply chains down to the farming level and carrying out social audits and risk analyses.

#### 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 the non-food product category. 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 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 strives for its suppliers' operations to become more sustainable. Efforts with development and information projects are undertaken to disseminate knowledge among workers 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 wage. Axfod has a living wage strategy that guides its efforts to improve living conditions in the supply chain.

## Sustainability assessment in purchasing of private label products



#### Risk analysis (raw materials/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 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.

## PEOPLE

In collaboration with Oxfam, value chains for a number of product ingredients were analysed to identify ways of helping growers and farmers achieve a sustainable living. For several years, Axfod participated in a project in the basmati rice region in Punjab, Pakistan that has helped raise the income of approximately 2,500 small farmers. In addition, Axfod and other partners including Oxfam implemented a pilot project 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 closer to an income that allowed the families to cover their basic needs. However, the ultimate conclusion was that increased demand for sustainability-certified rice would be a more efficient way to support long-term change. The project contributed to enabling certification of jasmine and basmati rice for Garant in accordance with SRP (Sustainable Rice Platform) or Fairtrade, which means that all jasmine and basmati rice from Garant now is either organic and/or certified with Fairtrade or SRP.

In China, Vietnam and Thailand, Axfod 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 addition to sustainability assessments in connection with new private label product procurements, annual assessments are conducted in which Axfod's existing suppliers are evaluated. 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. In 2022, supplier visits focused on sustainability were carried out to follow up on working conditions and environmental aspects related to farming of fruits and vegetables in Spain, hazelnuts in Turkey and raspberries in Serbia.

### Social audits

The risk of deviations from Axfod'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. Axfod's suppliers and sub-suppliers of private label products operate in some 30 risk countries. Axfod requires social audits in all risk countries to ensure compliance with the requirements laid out in the Code of Conduct.

Amfori BSCI performs many of Axfod's social audits, but audits according to the SEDEX and SA8000 standards, for example, are accepted as well. The audits by Amfori BSCI 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 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 impact in the supply chain

#### GRI 414-2 Negative social impacts in the supply chain and actions taken

	2022	2021	2020
Number of private label product suppliers assessed by Amfori BSCI for social impacts	93	93	123
of which, follow-up audits	0	36	46
Number of private label product suppliers identified as having negative social impacts	4	11	13
of which, number of suppliers that received a score of D	3	10	13
of which, number of suppliers that received a score of E	0	0	0
of which, number of suppliers for which no score is available	1	1	0
of which, number of suppliers with identified zero-tolerance deviations	0	0	0
Number of private label product suppliers identified as having negative social impacts where action plans have been drawn up	3	9	12
Number of private label product suppliers identified as having negative social impacts where action plans have not been drawn up	0	1	1
Share of private label product suppliers identified as having negative social impacts where action plans have been drawn up, %	100	90	92
Number of suppliers identified as having negative social impacts where the relationship was terminated	1	1	0
Share of private label product suppliers identified as having negative social impacts where the relationship was terminated, %	1	1	0

In 2022, the number of private label suppliers and sub-suppliers declined slightly to 439 (450). The pandemic continued to impact the number of audits. During the year, Amfori BSCI conducted a total of 93 (93) social audits of private label suppliers and sub-suppliers. In total, four suppliers were identified as having some sort of negative social impact according to the audit system. In addition, a further 270 suppliers and sub-suppliers in risk countries were covered by other types of social audits, such as SMETA audits and the SA8000 certification standard.

One positive development in 2022 was that the number of suppliers with a score of A increased and significantly fewer received a score of D. For the three suppliers with a score of D, plans with improvement measures were developed. Common deviations identified during the audits mainly pertained to standard working conditions and work environments. For example, it was noted that employees were working too much overtime and there were shortcomings in terms of compliance with the requirements of the Code of Conduct. In one case, a sub-supplier had not paid for expenses and overheads for its guest workers, which can be classified as forced labour. Timely measures resulted in an action plan in which the migrant workers had their expenses repaid and the supplier implemented a new policy for future recruitment.

In 2022, unacceptable working conditions were discovered at a Swedish supplier of cucumbers and strawberries. After an extra audit, the supplier was excluded from Svenskt Sigill and the cooperation with Axfod was terminated.

### Suppliers – anti-corruption and bribery

Through its Code of Conduct, Axfod 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, they pledge that they have an anti-corruption policy and procedures to monitor corruption and unethical behaviour. The above requirement also applies to sub-suppliers. Axfod'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 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. Sustainability officers follow up on social audits, and Amfori BSCI also conducts extensive integrity work including unannounced spot checks and reviews audits to identify any irregularities in audit documentation. Axfod 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 in the supplier chain.

## PEOPLE

### Incidents of corruption

#### GRI 205-3 Confirmed incidents of corruption and actions taken

	2022	2021	2020
Number of confirmed incidents of corruption, external	0	0	0
Number of confirmed incidents where contracts with business partners were terminated or not renewed due to violations related to corruption	0	0	0

As in the prior years, Axford had no incidents of corruption to report for 2022. A total of 93 (93) social audits were conducted by Amfori BSCI during the year. 89 (88) of these audits were carried out without remarks regarding corruption or deviations from Axford's ethical guidelines, while 3 (4) were carried out with smaller deviations. Only 1 (1) audit showed a significant deviation that needed remediation. No supplier agreements were discontinued during as a result of false information or a lack of business ethics.

#### Diversity enriches

Axford is a values-governed and inclusive company that 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

Axford endeavours to reflect the diversity of customers and offer 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.

Axford has guidelines and governance documents that stress the importance of 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. The share of women in leadership training courses will also be reviewed.

### Gender equality

Gender breakdown, %	Men			Women		
	2022	2021	2020	2022	2021	2020
Board	57	57	63	43	43	38
Executive Committee	45	50	50	55	50	50
Management teams of Group companies, including Group and staff management	56	52	63	44	48	37
Employees in management positions	65	68	67	35	32	33
Employees, salaried	47	53	46	53	47	54
Employees in warehouses, e-commerce and transport	81	76	79	19	24	21
Employees, stores	35	34	35	65	66	65
<b>Total</b>	<b>46</b>	<b>46</b>	<b>44</b>	<b>54</b>	<b>54</b>	<b>56</b>

The share of men in Axford in 2022 was 46% (46) and the share of women was 54% (54). 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 35% (32). Axford's Executive Committee has a slight over-representation of women and consists of six women and five men.

### Diversity

Share of employees with international background, %	2022	2021	2020
Management teams of Group companies and Group and staff management	8	7	10
Managers (including team managers)	17	16	15
Employees, salaried	15	15	13
Employees in warehouses, e-commerce and transport	44	43	39
Employees, stores	28	28	27
<b>Total</b>	<b>29</b>	<b>28</b>	<b>26</b>

Axford's target has been that 20% of the Group's managers will have an international background. During 2022, this share increased to 17% (16).

### 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 Axford 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. Contract suppliers are required to certify that they accept Axford'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.

Axford's whistleblower service contributes to compliance with the Code. 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. The whistleblower service, which covers all companies in Axford, consists of one Group-wide reporting channel and several company-specific reporting channels. The whistleblower chooses the appropriate channel to use. This technical solution is provided by an external contractor, which enables anonymous reporting. Reported cases are initially addressed by a law firm. The number of cases reported and handled is reported to the Board of Directors annually.

The cases reported via the whistleblower function in 2022 were addressed in accordance with the established guidelines and procedures. Three of the cases reported qualified as whistleblower cases and were addressed and concluded during the year. The cases that did not qualify as whistleblower cases were either handed over to the relevant function at the company in question to be addressed, usually by the responsible HR manager, 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. Axford 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, Axford 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 Axford's employees, and it is becoming increasingly important to attract, develop and retain the right competence. Since Axford 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.

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**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. This work is supported by an employee manual, a work environment committee and employee support. The Group works both closely with operations and strategically on issues pertaining to employees and their development.

Axfood has a Group-wide training unit for 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. Leaders take leadership courses, where they receive training in matters such as Axfood's core values and leadership model, sickness-related absence, rehabilitation, recruitment 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.

Axfood acts 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 are employed by companies in the Group and are thus covered by 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.

**Monitoring**

Axfood has high demands for a good working environment. Trends in 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



## PEOPLE

environment group made up of union representatives, a chief occupational safety officer, representatives from Axfood's companies and Axfood's central work environment function. At the company level, work environment committees are normally established at three different levels: central, regional and local. The local safety committees cover operations in warehouses and stores. At smaller workplaces without 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.

Axfood has system support and procedures to identify early signs of ill-health. Managers conduct well-being talks with employees in cases of repeated sickness-related absence. Talks are aimed at deciding together on measures for preventing ill-health and sick leave. To ensure that managers have knowledge about procedures, training in systematic work environment initiatives, sickness-related absence, the rehabilitation process, and organisational and social work environments is obligatory for all managers.

#### Sickness-related absence

	2022	2021	2020
Share of sickness-related absence, %	7.0	6.7	6.8

Sickness-related absence in 2022 was 7.0% (6.7%). Despite the lifting of pandemic-related restrictions, sickness-related absence remained elevated due to effects of the pandemic. At the start of the year, the spread of Covid-19 was high. During other parts of the year, the recommendation continued to be that anyone with the slightest symptoms should work from home.

#### Product safety

All of Axfood'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. Axfood therefore works actively in this area, through measures including extensive internal inspection programmes in stores and quality assurance of private label products. Work encompasses the entire process, from recipe formulation and choice of additives to manufacturing. Relevant requirements are stated in the quality and sustainability strategy, which serves as an internal governance document and guidance on matters pertaining to product and food safety as well as other important requirements for product and production quality. The strategy stipulates specific requirements for the respective product categories. Information on ingredients and composition is reviewed with respect to both internal policies and applicable laws. Only products that fulfil all internal and external criteria

#### Employees

##### GRI 102-8 Information on employees and other workers

Gender breakdown by employment contract	Men			Women			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Permanent and probationary	6,556	6,046	5,906	7,512	7,141	6,914	14,068	13,187	12,820
Temporary employment	503	426	446	787	814	792	1,290	1,240	1,238
<b>Total</b>	<b>7,059</b>	<b>6,472</b>	<b>6,352</b>	<b>8,299</b>	<b>7,955</b>	<b>7,706</b>	<b>15,358</b>	<b>14,427</b>	<b>14,058</b>

Employment contract by contract area	Retail			Warehouses			Salaried employees			Transport			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Permanent and probationary	9,436	8,615	8,354	2,436	2,587	2,548	2,159	1,947	1,882	37	38	36	14,068	13,187	12,820
Temporary employment	1,129	1,055	1,091	98	131	78	63	54	69	0	0	0	1,290	1,240	1,238
<b>Total</b>	<b>10,565</b>	<b>9,670</b>	<b>9,445</b>	<b>2,534</b>	<b>2,718</b>	<b>2,626</b>	<b>2,222</b>	<b>2,001</b>	<b>1,951</b>	<b>37</b>	<b>38</b>	<b>36</b>	<b>15,358</b>	<b>14,427</b>	<b>14,058</b>

Gender breakdown by employment type	Men			Women			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Full-time employment	4,380	4,069	3,999	3,025	2,839	2,717	7,405	6,908	6,716
Part-time employment	2,679	2,403	2,353	5,274	5,116	4,989	7,953	7,519	7,342
<b>Total</b>	<b>7,059</b>	<b>6,472</b>	<b>6,352</b>	<b>8,299</b>	<b>7,955</b>	<b>7,706</b>	<b>15,358</b>	<b>14,427</b>	<b>14,058</b>

may be sold. This ensures that products sold in Axfood'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. Axfood has a policy that food suppliers must be certified according to a standard approved by the Global Food Safety Initiative (GFSI). For Axfood's household chemical products, cosmetics, skin care products and non-food products, the suppliers must be certified according to ISO 9001.

The quality and sustainability strategy is updated continuously as existing requirements are expanded or new ones are implemented. Dagab's quality and sustainability department is responsible for ensuring that both existing and new products meet requirements. In stores and warehouses, 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.

#### 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	2022	2021	2020
Private label products <sup>1)</sup>	25	33	32
Branded products	63	100	83
<b>Total</b>	<b>88</b>	<b>133</b>	<b>115</b>

1) Of which, 5 (5) were of a serious nature.

In 2022, a total of 88 (133) 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.

## PEOPLE

### New employee hires and employee turnover

#### GRI 401-1 New employee hires and employee turnover

Age <sup>1)</sup>	-29 years			30-49 years			≥50 years		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Number of new employee hires	1,290	1,010	1,224	537	453	577	138	93	103
Hiring turnover, %	23.8	21.4	26.3	9.0	9.6	10.2	5.1	3.5	4.1
Number of employees who have left	1,823	1,416	1,057	918	711	677	190	134	145
Employee turnover, %	33.6	30.1	22.7	15.4	15.1	11.9	7.0	5.1	5.8

1) Reported figures only include employees whose age has been verified.

Gender breakdown <sup>2)</sup>	Men			Women			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Number of new employee hires	856	700	853	1,109	856	1,068	1,965	1,556	1,923
Hiring turnover, %	13.1	11.6	14.4	14.8	12.0	15.4	14.0	11.8	15.0
Number of employees who have left	1,202	958	887	1,729	1,303	1,026	2,931	2,261	1,914
Employee turnover, %	18.3	15.8	15.0	23.0	18.2	14.8	20.8	17.1	14.9

2) Reported figures only include employees stating a binary gender designation.

Contract area	Retail			Warehouses			Salaried employees			Transport		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Number of new employee hires	1,441	881	1,145	288	502	592	233	164	174	3	9	12
Hiring turnover, %	15.3	10.2	13.7	11.8	19.4	23.2	10.8	8.4	9.2	8.1	23.7	33.3
Number of employees who have left	2,222	1,578	1,258	452	512	427	252	164	165	5	7	64
Employee turnover, %	23.5	18.4	15.1	18.6	19.8	16.8	11.7	8.4	8.8	13.5	18.4	177.8

The number of new employees increased year on year to 1,965 (1,556). Employee turnover amounted to 20.8% (17.1).

#### 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 reduce the amount of salt and sugar in private label products without affecting the taste. Goods that consumers do not expect to contain sugar are prioritised. In 2022, several new products with a health profile were launched, such as organic firm tofu, fig balls with cinnamon, frozen chickpeas, and shots with apple, ginger and lemon.

The internal health campaign "Healthy and Smart Food" continued to inspire and increase employees' knowledge with respect to healthy foods and habits.

Axfood wants to contribute to better health and encourage its customers and employees to live a healthier and more sustainable lifestyle. Toward the end of the year, Axfood and the organisation Generation Pep initiated a long-term partnership to promote health habits among children and young people. The ultimate aim of the partnership is to contribute to healthier food habits and better health. The organisations will spread information about making healthier choices, and facilitate and conduct activities that encourage children and young people in this area so they can live a more wholesome, longer and healthier life.

A partnership was also initiated with the seniors' service Gubbe, which brings together seniors and young people. Over the course of one year, Axfood will help match two seniors with young people who share their interest in food and social activities, thereby contributing to better health and reducing the feeling of exclusion among seniors.

# Reporting principles and definitions

## Boundaries

Axfod'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. Axfod collaborates with more than 700 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 integration of the acquired company Bergendahl Food AB was completed during the year, and the operation is included in Axfod'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 stated otherwise.

**Significant changes in the scope and boundaries of the reporting**  
– Bergendahl Food AB is included as of 2022, comparison figures have not been restated.

## 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 carbon dioxide equivalents (CO<sub>2</sub>e). Recalculation to CO<sub>2</sub>e consists of mainly carbon dioxide, methane and nitrous oxide as well as f-gases. CO<sub>2</sub>e 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 2021 has been used: 90.4 g CO<sub>2</sub>/kWh. As a comparison, the Nordic average mix for 2020 was 93.1 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 Axfod (Scope 1).
- Purchased electricity for offices, Group-owned stores and warehouses (Scope 2).
- Purchased district heating for warehouses (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 Axfod'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 Axfod is the lease holder, except for three warehouses where certain data is provided directly by the lessor. Stores where district heating is part of the rental cost are not included. Purchased supplemental heat is included for five warehouses, 22 Willys stores and 10 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 311 of Axfod'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 17 of Axfod's Group-owned solar panel systems and self-produced heat from refrigeration units at four warehouses. All data pertains to actual consumption during the 2022 calendar year.

## Energy intensity

Electricity consumption (kWh) under joint agreements as a percentage of Axfod'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 number of square metres corresponds to the total area of all stores and warehouses under the centralised agreement. All data pertains to actual consumption during the 2022 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 carbon dioxide 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

Data is based on consumption from 180 (155) heavy-duty trucks and 90 (107) light 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 2021–November 2022. 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 317 (270) 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 2021–September 2022. 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**

Data includes all active employees, pertaining 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 Axfod's operations are conducted exclusively in 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.

**Gender equality**

Calculated as the share of women in management positions at the end of the 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 Axfod 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 2022 pertain to time worked during the period December 2021–November 2022.

**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 Axfod 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 sustainable label as a percentage of Axfod'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 sustainable label as a percentage of Axfod's total retail 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 Axfod Group's total sales of meat products. The selection includes Group-owned stores for Willys, Eurocash, Hemköp and Snabbgross.

**Growth in vegetarian protein substitutes**

The current period's sales of vegetarian protein substitutes in relation to sales during the corresponding period a year ago. Vegetarian 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 Axfod'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 Axfod's purchase price of products thrown out. Total food waste is defined as the registered amount of total waste plus returns and unknown waste from fruits and vegetables that has been taken stock of. Food waste 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 2022 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 purpose with the EU taxonomy for sustainable activities (EU 2020/852) is to make it easier to identify and compare environmentally sustainable investments through a common classification system. Large companies of general interest affected by the sustainability reporting requirements of the Non-Financial Reporting Directive must report how much of their business the directive applies to.

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 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 regulation, which may be environmentally sustainable now or in the future, are disclosed here together with the relevant accounting policies.

## Assessment of alignment with the taxonomy regulation

### Freight transport services by road

Axfood is covered by the economic activity 6.6 *Freight transport services by road* in line with the environmental objective *Climate change mitigation* concerning revenues in e-commerce, capital expenditures for own trucks and operating expenditures for maintenance and repairs of own trucks.

E-commerce revenue accounts for around 5% of Axfood's retail sales, which corresponds to invoiced shipments for the e-commerce deliveries shipped by the Group's own trucks. Axfood is becoming increasingly dependent on transports with the growth of e-commerce. The Group's own fleet is being converted to reduce 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.

Dagab is responsible for the Group's logistics flow. Products from suppliers are distributed from the store warehouses to stores belonging both to the Group and to external customers. Separate e-commerce warehouses handle home deliveries in the Stockholm and Gothenburg areas. Home deliveries from the Group's e-commerce warehouses are primarily distributed using own trucks, while store-to-home deliveries are made using a service provider.

Capital expenditures encompassed by the taxonomy pertain to Group-owned trucks, which have a clear connection to the core business. In 2022, Axfood invested in its first fully electric truck and trailer. In relation to total capital expenditures, however, this investment was relatively small in size.

A complete assessment of taxonomy alignment has not yet been concluded. Axfood is dependent on third parties and has not received complete information regarding how vehicles meet requirements in order to not do significant harm to the other environmental objectives in the taxonomy.

### Transport by motorbikes, passenger cars and light commercial vehicles

Axfood is covered by the economic activity 6.5 *Transport by motorbikes, passenger cars and light commercial vehicles* in line with the environmental objective *Climate change mitigation* concerning purchases of taxonomy-related goods and services. More specifically, this relates to capital expenditures for leases of passenger cars and company cars.

A complete assessment of taxonomy alignment has not yet been concluded. Axfood is dependent on third parties and has not received complete information regarding how vehicles meet requirements in order to not do significant harm to the other environmental objectives in the taxonomy.

### Acquisition and ownership of buildings

Axfood is covered by the economic activity 7.7 *Acquisition and ownership of buildings* in line with the environmental objective *Climate change mitigation* concerning purchases of taxonomy-related goods and services. More specifically, this relates to capital expenditures for new and renegotiated leases of premises.

During 2022, Axfood moved in to its new logistics centre in Bålsta outside Stockholm. The logistics centre is a significant right-of-use asset and represented a large part of the Group's capital expenditures during the year.

A complete assessment of taxonomy alignment has not yet been concluded. Axfood is dependent on third parties and has not received complete information regarding how premises meet requirements in order to not do significant harm to the other environmental objectives in the taxonomy.

## Accounting principles

The share of the business that is environmentally sustainable is to be reported in accordance with the taxonomy through three financial metrics with a breakdown on each of the EU's six environmental objectives. Axfood's methodology to calculate the three metrics is described below. Axfood only discloses in accordance with one environmental objective, *Climate change mitigation*.

### Revenue

Revenues corresponds to the reported revenue for the financial year (see consolidated comprehensive income on page 50 and in Note 3). Policies for consolidated revenue recognition are described in more detail in Note 1.

The part of Axfood's revenues that is included in the taxonomy only corresponds to e-commerce revenues from deliveries/freight.

### 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 vehicles.

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). Total capital expenditures concerns amendments to property, plant and equipment and intangible assets during the year after deducting depreciation and any impairment as well as with the exception of changes to fair value. Also included are amendments and revaluations of right-of-use assets as well as property, plant and equipment and intangible assets related to business combinations. Goodwill is not included.

### Operating expenditures

According to the taxonomy, operating expenditure encompassed by the taxonomy must be disclosed if they may be environmentally sustainable now or in the future. More specifically, this relates to among other things building refurbishments, short term leases as well as maintenance and repairs. For Axfood, this pertains mainly to maintenance costs for trucks. From a Group perspective, this share of expenses is negligible since the financial impact is very 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.

## TAXONOMY

Revenue																					
Economic activities	Code/s	Absolute revenue SEK m	Proportion of revenue %	Climate change mitigation %	Criteria for substantial contribution				Criteria for doing no significant harm							Minimum safeguards Yes/No	Taxonomy-aligned share of revenue, 2022 %	Taxonomy-aligned share of revenue, 2021 %	Category (enabling activities or) E	Category (transitional activities) T	
					Climate change adaptation %	Life below water %	Circular economy %	Pollution %	Biodiversity and eco-systems %	Climate change mitigation Yes/No	Climate change adaptation Yes/No	Life below water Yes/No	Circular economy Yes/No	Pollution Yes/No	Biodiversity and eco-systems Yes/No						
<b>A. ECONOMIC ACTIVITIES COVERED BY THE TAXONOMY</b>																					
<b>A.1 Environmentally sustainable (taxonomy-aligned) activities</b>																					
Revenue from environmentally sustainable (taxonomy-aligned) economic activities (A.1)																					
	-	-	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%	N/A	N/A
<b>A.2 Taxonomy-eligible economic activities that are not environmentally sustainable (not taxonomy-aligned)</b>																					
Freight transport services by road																					
	6.6	45	0.1%																		
Revenue from taxonomy-eligible economic activities that are not environmentally sustainable (not taxonomy-aligned) (A.2)																					
		45	0.1%																		
<b>Total (A.1 + A.2)</b>																					
		45	0.1%																		
<b>B. ECONOMIC ACTIVITIES NOT COVERED BY THE TAXONOMY</b>																					
Revenue from economic activities not covered by the taxonomy (B)																					
		73,429	99.9%																		
<b>Total (A + B)</b>																					
		73,474	100%																		

## TAXONOMY

### Capital expenditures

Economic activities	Code/s	Criteria for substantial contribution							Criteria for doing no significant harm							Taxonomy-aligned proportion of capital expenditure, 2022	Taxonomy-aligned proportion of capital expenditure, 2021	Category (enabling activities or)	Category (transitional activities)	
		Absolute capital expenditure	Proportion of capital expenditure	Climate change mitigation	Climate change adaptation	Life below water	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Life below water	Circular economy	Pollution	Biodiversity and ecosystems					Minimum safeguards
		SEK m	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
<b>A. ECONOMIC ACTIVITIES COVERED BY THE TAXONOMY</b>																				
<b>A.1 Environmentally sustainable (Taxonomy-aligned) activities</b>																				
<b>Capital expenditure from environmentally sustainable (taxonomy-aligned) economic activities (A.1)</b>		-	-	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%	N/A	N/A
<b>A.2 Taxonomy-eligible economic activities that are not environmentally sustainable (not taxonomy-aligned)</b>																				
Acquisition and ownership of buildings		7.7	4,319	63.0%																
Transport by motorbikes, passenger cars and light commercial vehicles		6.5	23	0.5%																
Freight transport services by road		6.6	98	1.4%																
<b>Capital expenditure for taxonomy-eligible economic activities that are not environmentally sustainable (not taxonomy-aligned) (A.2)</b>		<b>4,440</b>	<b>64.8%</b>																	
<b>Total (A.1 + A.2)</b>		<b>4,440</b>	<b>64.8%</b>																	
<b>B. ECONOMIC ACTIVITIES NOT COVERED BY THE TAXONOMY</b>																				
Sales from economic activities not covered by the taxonomy (B)		2,411	35.2%																	
<b>Total (A + B)</b>		<b>6,851</b>	<b>100%</b>																	

## TAXONOMY

### Operating expenditures

Economic activities	Code/s	Criteria for substantial contribution							Criteria for doing no significant harm							Taxonomy-aligned proportion of operating expenditure, 2022	Taxonomy-aligned proportion of operating expenditure, 2021	Category (enabling activities or)	Category (transitional activities)	
		Absolute operating expenditure	Proportion of operating expenditure	Climate change mitigation	Climate change adaptation	Life below water	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Life below water	Circular economy	Pollution	Biodiversity and ecosystems					Minimum safeguards
		SEK m	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T

#### A. ECONOMIC ACTIVITIES COVERED BY THE TAXONOMY

##### A.1 Environmentally sustainable (taxonomy-aligned) activities

Operating expenditure from environmentally sustainable (taxonomy-aligned) economic activities (A.1)

-	-	0.0%	N/A	0.0%	0.0%	N/A	N/A													
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##### A.2 Taxonomy-eligible economic activities that are not environmentally sustainable (not taxonomy-aligned)

Freight transport services by road (repairs and maintenance)

6.6	5	1.3%																		
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Operating expenditure for taxonomy-eligible economic activities that are not environmentally sustainable (not taxonomy-aligned) (A.2)

5	1.3%																			
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**Total (A.1 + A.2)**

5	1.3%																			
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#### B. ECONOMIC ACTIVITIES NOT COVERED BY THE TAXONOMY

Sales from economic activities not covered by the taxonomy (B)

372	98.7%																			
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**Total (A + B)**

377	100%																			
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## GRI INDEX

# GRI Index

## Statement of use

Axfod has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022.

## GRI 1 used

GRI 1: Foundation 2021

GRI Standard/other source	Disclosure	Reference	Requirement(s)		Omission
			omitted	Reason	Explanation
<b>GENERAL DISCLOSURES</b>					
GRI 2: General Disclosures 2021	2-1 Organizational details	39			
	2-2 Entities included in the organization's sustainability reporting	114–115			
	2-3 Reporting period, frequency and contact point	90			
	2-4 Restatements of information	114			
	2-5 External assurance	122			
	2-6 Activities, value chain and other business relationships	39, 106–109			
	2-7 Employees	110–115			
	2-8 Workers who are not employees	111			
	2-9 Governance structure and composition	90–92, 129–138			
	2-10 Nomination and selection of the highest governance body	131			
	2-11 Chair of the highest governance body	132			
	2-12 Role of the highest governance body in overseeing the management of impacts	91			
	2-13 Delegation of responsibility for managing impacts	91, 131–132			
	2-14 Role of the highest governance body in sustainability reporting	58			
	2-15 Conflicts of interest	131–132			
	2-16 Communication of critical concerns	110			
	2-17 Collective knowledge of the highest governance body	129, 132–133			
	2-18 Evaluation of the performance of the highest governance body	133–134			
	2-19 Remuneration policies	65–70			
	2-20 Process to determine remuneration	133			
	2-21 Annual total compensation ratio	Remuneration report			
	2-22 Statement on sustainable development strategy	91, 94–95, 98, 106			
	2-23 Policy commitments	91, 107			
	2-24 Embedding policy commitments	91, 107–109, 127			
	2-25 Processes to remediate negative impacts	110, 112			
	2-26 Mechanisms for seeking advice and raising concerns	110			
	2-27 Compliance with laws and regulations	112			
	2-28 Membership associations	91, 94			
	2-29 Approach to stakeholder engagement	92–93			
	2-30 Collective bargaining agreements	40, 111			

## GRI INDEX

GRI Standard/other source	Disclosure	Reference	Omission	
			Requirement(s) omitted	Reason
<b>MATERIAL TOPICS</b>				
GRI 3: Material Topics 2021	3-1 Process to determine material topics	92–93		
	3-2 List of material topics	92		
Anti-corruption				
GRI 3: Material Topics 2021	3-3 Management of material topics	109–110, 115		
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	110		
Energy				
GRI 3: Material Topics 2021	3-3 Management of material topics	100–101, 114		
GRI 302: Energy 2016	302-1 Energy consumption within the organization	101		
	302-3 Energy intensity	100		
Biodiversity				
GRI 3: Material Topics 2021	3-3 Management of material topics	102–103, 115		
Emissions				
GRI 3: Material Topics 2021	3-3 Management of material topics	98–100, 114		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	99		
	305-2 Energy indirect (Scope 2) GHG emissions	99		
	305-3 Other indirect (Scope 3) GHG emissions	99		
Waste				
GRI 3: Material Topics 2021	3-3 Management of material topics	102, 114		
GRI 306: Waste 2020	306-3 Waste generated	102		
Employment				
GRI 3: Material Topics 2021	3-3 Management of material topics	30–31, 40, 110–115		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	113		
Non-discrimination				
GRI 3: Material Topics 2021	3-3 Management of material topics	110, 114–115		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	110		
Supplier social assessment				
GRI 3: Material Topics 2021	3-3 Management of material topics	106–110, 115		
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	109		
Customer health and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	112, 115		
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	112		

## Statutory sustainability report

Axford 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 Axford 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.

### Index: Swedish Annual Accounts Act and sustainability report

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	14
Environment	– Policy and environmental issues	90–93
	– Risks and their management regarding environmental issues	33–36, 104–105
	– Targets and results related to environmental issues	17, 98–105
Social conditions	– Policy and social issues	90–93
	– Risks and their management regarding social issues	33–36
	– Targets and results related to social issues	17, 106–113
Respect for human rights	– Policy and human rights	90–93
	– Risks and their management regarding human rights	33–36
	– Targets and results related to human rights	109–110
Anti-corruption	– Policy for anti-corruption efforts	90–93
	– Risks and their management regarding anti-corruption	33–36
	– Targets and results related to anti-corruption	109–110
EU Taxonomy Regulation	– Reporting in accordance with the EU Taxonomy Regulation	116–119

## Auditor's Limited Assurance Report on Axford's Sustainability Report and statement regarding the Statutory Sustainability Report

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

#### Introduction

We have been engaged by the Board of Directors of Axford AB (publ) to undertake a limited assurance engagement of the Axford Sustainability Report for the year 2022. The Company has defined the scope of the Sustainability Report on page 90 in this document and the Statutory Sustainability Report on page 122.

#### 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 90 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 (revised) 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 International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Axford 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.

Date as evidenced by our digital signature.

Deloitte AB

**Hans Warén**  
Authorized Public  
Accountant

**Adrian Fintling**  
Expert Member of FAR

SUSTAINABILITY PROGRAMME

# Axfood's sustainability programme

Axfood's sustainability programme includes short- and long-term targets. A majority of the targets are linked 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>15</b> LIFE ON LAND	Life on land
 <b>4</b> QUALITY EDUCATION	Quality education	 <b>10</b> REDUCED INEQUALITIES	Reduced inequalities	 <b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS	Peace, justice and strong institutions
 <b>5</b> GENDER EQUALITY	Gender equality	 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION	Responsible consumption and production	 <b>17</b> PARTNERSHIPS FOR THE GOALS	Partnerships for the goals
 <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 of sustainability-labelled products, mainly Green Keyhole and organic products, amounted to 26.6% (28.1). This decrease was largely due to an increased price consciousness among customers as a result of high food price inflation.	●
2	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 amounted to 5.1% (5.8). This decrease was partly due to an increased price consciousness among customers as a result of high food price inflation, while the trend for the share of organic sales has declined for the industry as a whole in recent years.	●
3	The share of KRAV- and/or Svenskt Sigill-labelled meat will increase for all store chains, and by at least 10% for Hemköp in particular.			The share of sales of KRAV-certified meat declined to 2.7% (2.9). This decrease was mainly due to an increased price consciousness among customers as a result of high food price inflation. Hemköp's share is relatively high in comparison to the industry as a whole.	●
4	Axfood's store chains will sell only ecolabelled fish and shellfish products or products green-listed in the WWF's fish guide by 2025 at the latest. The approved labels are MSC, ASC, KRAV and Svenskt Sigill.			The share of sales of ecolabelled fish and shellfish products within the private label assortment amounted to 77% in 2022. Except for grown Norwegian salmon, all frozen fish products in the Group's stores are now certified.	●
5	Private label organic meat and charcuterie products will be certified primarily according to KRAV, and secondarily according to the EU organic certification. KRAV labels are preferred for organic products in other categories.			Dagab takes a systematic approach to these guidelines, which are part of Axfood's quality and sustainability strategy.	●
6	All suppliers of private label products shall for meat as well as products containing meat 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 IP Nöt Grundcertifiering.	●
7	Food waste from Willys, Hemköp, Snabbgross and Dagab will be cut in half by 2025 at the latest (base year 2015).			Food waste amounted to 1.2% (1.2) of total sales. Hand-held computers that identify products that are expiring, donations to charitable organisations, clearance prices for products nearing their best-before dates, and bargain bags and boxes in stores with fruits and vegetables are examples of initiatives to reduce food waste.	●
8	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.			Axfood offers a large range of healthy products, both private label and branded. The assortment of private label products is continually developed through launches of new sustainable and healthy products. Through Klubb Hemköp, customers are guided and rewarded for making more sustainable choices, such as purchasing organic products.	●
9	Only suppliers that actively promote reduced use of antibiotics according to industry agreements are to be used for private label products. 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. In procurement processes demands are placed through general terms and conditions/the agreement.	●

● Achieved ● Ongoing ● Not achieved

SUSTAINABILITY PROGRAMME

The environment

No.	Sustainability targets	Link to Sweden's Environmental Objectives	Link to UN SDGs	Results and comments	Status
10	Axfod will have net zero emissions from its own operations by 2030 at the latest.			Total emissions from own operations amounted to 44,327 tonnes of CO <sub>2</sub> e (41,336). The increase in total emissions was mainly driven by increased emissions from procured transports due to higher growth, which resulted in more kilometres driven using fossil fuels. Emissions from own transports and refrigerants continued to decrease. Scope 1 and 2 emissions and e-commerce transports (Scope 3) were climate compensated.	●
11	Axfod is to promote a more sustainable production and consumption of food by annually reducing its climate impact per kilo of food sold through changes to the sales mix, by advocating for fossil-free agriculture in Sweden by 2030 and by encouraging the industry, authorities and politicians to support a reduced climate impact from food production.			New sustainability target adopted in 2022 and to be followed up as of 2023.	
12	Axfod is to promote biodiversity and reduced deforestation from production of private label products. At least three projects to replace soy with sustainable food crops are to be carried out by no later than 2025.			New sustainability target adopted in 2022 and to be followed up as of 2023.	
13	Axfod will carry out a risk analysis regarding climate and biodiversity in the supply chain. This analysis will be the basis for measures to be initiated by no later than 2024.			New sustainability target adopted in 2022 and to be followed up as of 2023.	
14	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.			In 2022, a new climate training tool was developed by Axfoundation and Axfod, among others, to increase knowledge and help suppliers in various countries to reduce their emissions.	●
15	Axfod 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.	●
16	Axfod 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. Particular consideration will be given to a circular economy.			In 2022, electricity consumption per square metre decreased by 7.1% compared with the base year.	●
17	Dagab's warehouse operations will reduce their electricity consumption by 10% in relation to sales by 2025 (base year 2020).			In 2022, electricity consumption per square metre decreased by 5.3% compared with the base year.	●
18	For investments in store refrigeration systems, climate-friendly refrigerants shall always be used.			For investments in store and warehouse refrigeration systems, climate-friendly refrigerants are used.	●
19	Axfod will have at least 40 solar power facilities in operation by no later than 2025.			In total, 17 solar power facilities were in operation at year-end 2022.	●
20	Dagab's vehicle fleet will be differentiated with respect to sustainable fuels. No single 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.	●

● Achieved ● Ongoing ● Not achieved

SUSTAINABILITY PROGRAMME

Environment, cont.					
No.	Sustainability targets	Link to Sweden's Environmental Objectives	Link to UN SDGs	Results and comments	Status
21	Dagab will reduce carbon dioxide emissions from its own delivery fleet by 30% by 2025 (base year 2020).			Target achieved. In 2022, emissions decreased 30% compared with the base year.	●
22	Transports of products by external transport companies by road from Dagab's logistics operations to any of Axfod'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.			A continuous and long term work is ongoing to increase the share of external transports being driven on renewable fuels.	●
23	Dagab will conduct carbon footprint reporting for incoming transports to Dagab's warehouses by 2022 at the latest.			A new target will be formulated due to updated EU guidelines.	●
24	Axfod and its chains will limit the assortment of fruits and vegetables transported by air. Customers are to be able to receive information about which fruit and vegetable products have been transported by air. Axfod is to work toward an industry-wide agreement on the issue.			Information about which product categories are transported by air during certain periods is presented on Axfod's and the store chains' websites. Axfod has raised the issue of an industry-wide agreement in the Swedish Food Retailers Federation.	●
25	Axfod's companies will reduce the share of combustible residual products in relation to sales.			The share of combustible residual product in relation to sales decreased in 2022 to 0.17% (0.22), with certain differences between the companies.	●
26	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 2022, a water routine was implemented for products with a large water footprint. Certification of suppliers of fruits and vegetables is ongoing.	●
27	Axfod will have integrated extended sustainability criteria for water and the chemical and carbon footprint of products in the procurement process, for example, by 2022 at the latest.			Extended sustainability selection for impact from water and chemicals implemented. Ongoing work to also implement extended sustainability selection for the climate impact.	●
28	Dagab will avoid SIN-listed chemicals in products and packaging (such as Bisphenol A). The goal is to be achieved by 2025. Axfod 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.	●
29	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.	●
30	By 2030, plastic packaging for Axfod'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 completed. Packaging is continuously being replaced by more renewable and recyclable materials.	●
31	Packaging for private label products will be recyclable by 2025. Axfod will strive to increase the share of FSC-labelled paper.			Where possible, extensive efforts are being made to change to recyclable packaging.	●
32	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 35% in 2022.	●
33	By 2025 at the latest, Axfod'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.			Approximately 50% of the suppliers and products in question have fulfilled the requirement to date.	●

● Achieved ● Ongoing ● Not achieved

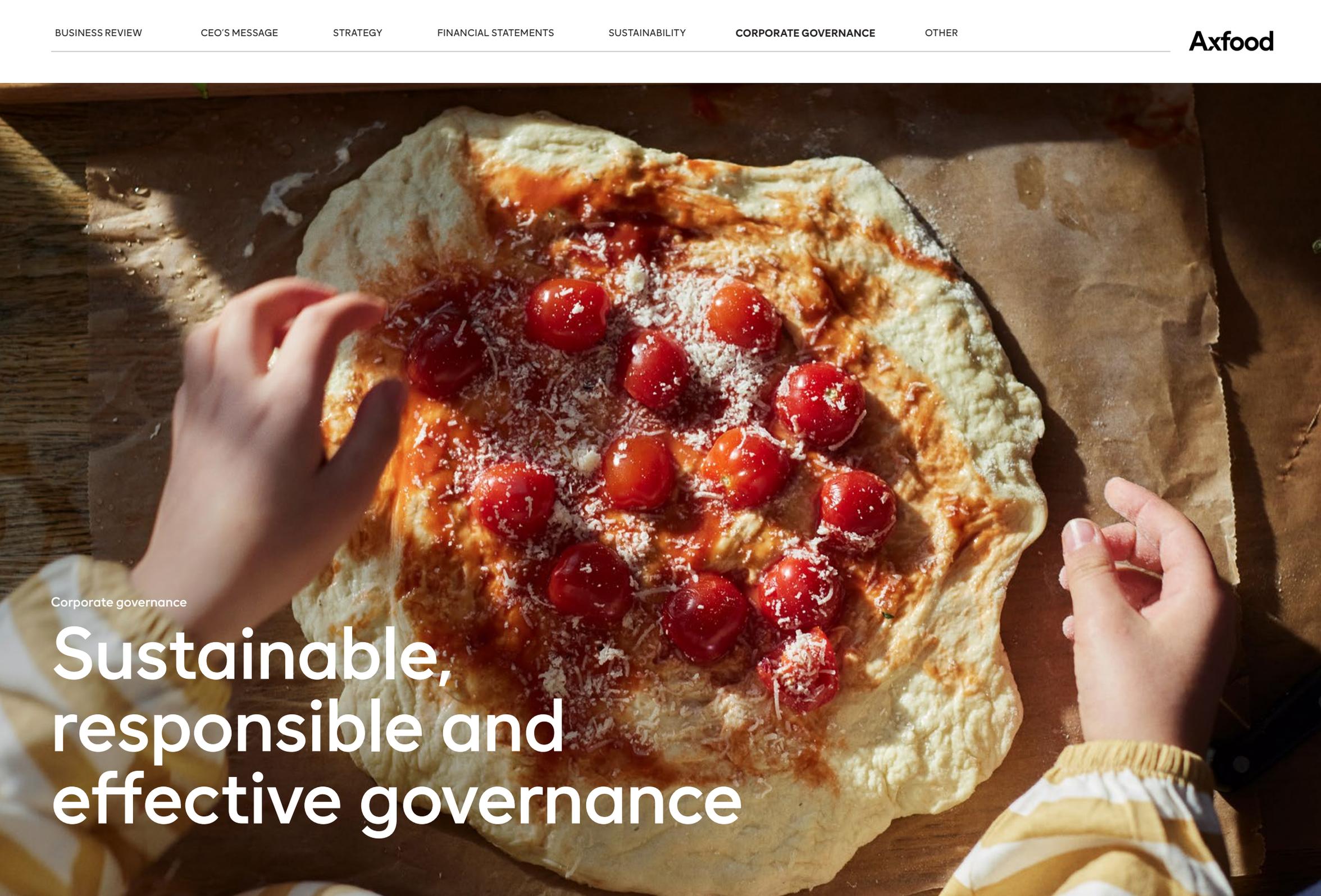
SUSTAINABILITY PROGRAMME

People					
No.	Sustainability targets	Link to Sweden's Environmental Objectives	Link to UN SDGs	Results and comments	Status
34	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.			System support has significantly increased transparency and traceability in the global supply chain, enabling more sub-suppliers in risk countries to be linked to Axfod. Approximately 90% of these sub-suppliers fulfil the requirements.	●
35	By 2030, Axfod 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 Axfod's private label products will be top priorities.			A challenging goal where work is ongoing to set targets and key performance indicators for prioritised countries.	●
36	By 2030, eradicate poverty as far as possible in Axfod'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. Sales of Fairtrade-labelled products that contribute to improved working and living conditions for growers and workers shall increase with a focus on the prioritised products coffee, tea, cocoa, and bananas.			A challenging goal where work is ongoing to among other things to ensure fair compensation to growers. In 2022, the sales of Fairtrade-labelled tea increased, while the corresponding sales of coffee, cocoa, and bananas declined.	●
37	Sickness-related absence among Axfod's employees is not to exceed 5.3%.			In 2022, sickness-related absence amounted to 7.0% (6.7). Sickness-related absence was thus higher than the Group's target and continued to be affected by the Covid-19 pandemic.	●
38	Axfod 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 2022, the share of women in management positions was 35.0% (32.3). The share of women in the Executive Committee amounted to approximately 55%.	●
39	Axfod's target is for at least 20% of the Group's managers to have an international background.			In 2022, 17% (16) of Axfod's managers had an international background.	●
40	A minimum of 75% of Axfod's managers will be recruited internally.			82% (81) of Axfod's managers were recruited internally in 2022.	●
41	All employees will have completed obligatory sustainability training.			Approximately a third 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 ● Ongoing ● Not achieved

Corporate governance

# Sustainable, responsible and effective governance



## CHAIRMAN'S MESSAGE

## Corporate governance characterised by continuity and a long-term approach

The main task of the Board of Directors is to create long-term conditions for Axfood to develop and grow in a sustainable and profitable manner, while also making a positive contribution to the development of society. With well-positioned concepts and an ability to respond to changing customer behaviour in an agile fashion, Axfood strengthened its market positions in 2022. At the same time, important future investments in areas such as logistics create excellent conditions for continued success.

Axfood once again reported an eventful and successful year. A year in which market dynamics were characterised by significant turbulence and the consequences of Russia's attack on Ukraine, which contributed to historically high food price inflation and price-conscious consumers. Axfood is a constantly evolving company, and in 2022, the Group successfully managed changing customer behaviour in the wake of this exceptional food price inflation. Willlys' combination of a broad assortment and strong value for money once again proved to be a particular source of strength as customers became increasingly price conscious.

In parallel with efforts to offer the best customer meeting here and now, work continued on the major structural changes initiated in recent years. It is clear that the Company is at the forefront when it comes to its focus on increasing its underlying efficiency. In addition to its ongoing efforts to improve and automate its logistics, the integration of the acquired company Bergendahls Food and the IT system and processes at City Gross stores was completed. Over the next few years, Axfood and its stakeholders could start to truly reap the rewards of these investments and of several other ambitious initiatives being implemented in the Group in areas such as IT and sustainability. Axfood also became a co-owner in Mathem during the year following the divestment of Mat.se. Axfood holds a very strong position in the market, and its recent investments in efficient operation and an attractive offering will lay the foundation for many years of continued growth and profitability.

### Sustainable and responsible corporate governance

I am proud to be Chairman of a company where sustainability issues are a central and integrated component of the business model and corporate governance. Each week, the Axfood Group's various concepts reach millions of customers, thereby creating excellent opportunities to have a positive social impact. Along with a focus on sustainable energy with new solar power initiatives – including one of Europe's largest rooftop solar power facilities on the Bålsta warehouse – efforts to strengthen the focus on sustainability throughout the value chain intensified. Product development also continued to be characterised by health and sustainability, including products based on new, innovative protein sources. Axfood has also adopted a long-term approach to sustainability, and the Company aspires to take the lead in promoting a more sustainable food system.

Effective corporate governance is crucial for a reputable and responsible company. Ensuring the right organisation is in place is the responsibility of the Board and facilitates effective decision-making, a clear distribution of roles and responsibilities between management and control bodies, effective follow-up within internal systems, and internal control over financial reporting. The Board is also tasked with ensuring that the Company's disclosure of information is characterised by openness and transparency in relation to the capital market.

The work of the Board is characterised by broad experience and deep commitment, and is carried out in close dialogue with Axfood's Executive Committee. My objective is for Axfood's stakeholders to feel secure in the Board's contribution to the Company's governance and frameworks, which allows the Company to continue developing in the best possible way – in the best interests of both its owners and customers.

During the year, the Board devoted considerable efforts to the major strategic investments being carried out within Axfood to create continued profitable growth. The Board also focused on sustainability issues and the Company's sustainability governance. The Board's work is evaluated every year, and as in previous years, the results of the evaluation were very positive.

### Strong finances for future customer offerings

During the year, a fully subscribed rights issue of SEK 1.5 billion was carried out due to the acquisition of Bergendahls Food. Having a strong financial position and the scope to invest in future customer offerings has always been important to Axfood, and the rights issue will ensure these remain in place going forward.

I would like to thank my fellow Board members, the Executive Committee and all of Axfood's employees for their commitment and hard work over the past year. Finally, I would also like to thank you, our shareholders, for the confidence and support you have shown for this highly successful and profitable company, which is well positioned for the future.

Stockholm, February 2023

Mia Brunell Livfors  
Chairman of the Board



“ My objective is for Axfood's stakeholders to feel secure in the Board's contribution to the Company's governance and frameworks, which allows the Company to continue developing in the best possible way.

# Corporate governance

## 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 137 of this Annual and Sustainability Report.

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 and the EU Market Abuse Regulation) and Nasdaq Stockholm's Nordic Main Market Rulebook for Issuers of Shares. Axfood also follows the Swedish Corporate Governance Code ("the Code"). In 2022, there were no deviations from Nasdaq Stockholm's Rulebook, the Code or good stock market practice. 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, the Code of Conduct, policies, guidelines and internal instructions. Internal rules and regulations are followed up annually and are revised as necessary.

Sustainability is an integrated part of Axfood's business model and governance, and the strategic direction is set by the Board of Directors. Read more about sustainability on pages 89–127.

## Shareholders and shares

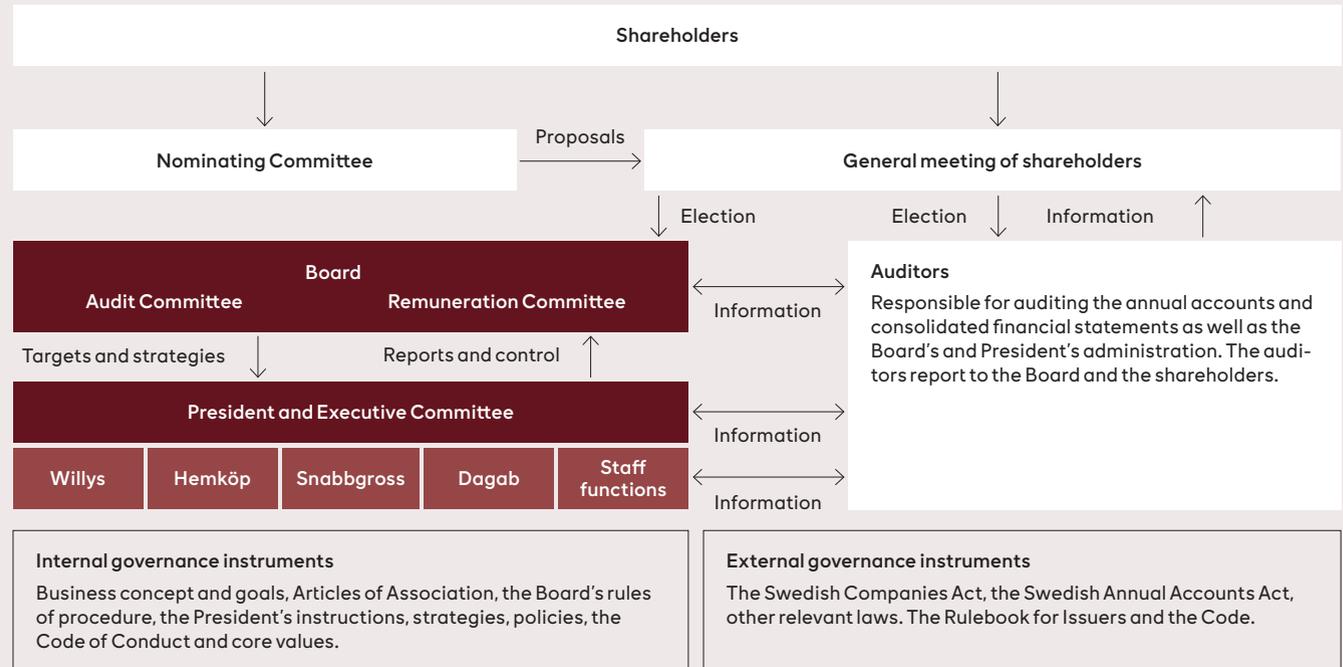
Axfood's shares have been traded on Nasdaq Stockholm's Large Cap list since 2006. In 2022, a new share issue of SEK 1.5 billion was carried out with preferential rights for the Company's shareholders. Through the rights issue, the number of shares in Axfood increased by 6,972,528 to a total of 216,843,240. Axfood's share capital increased SEK 8,715,660, from SEK 262,338,390 to SEK 271,054,050.

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.

As of 31 December 2022, Axfood had 117,685 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 2022.

## Axfood's 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

During the year, Axfood repurchased 343,000 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 1,037,856 treasury shares. The number of shares outstanding thereby amounts to 215,805,384. 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 ownership structure and share, see pages 145–146.

### 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 and CEO, disposition of the Company's profit, and election of auditors (when applicable), instructions to the Nominating Committee and remuneration guidelines. No restrictions on shareholders' rights are stipulated in the Articles of Association or – to the Company's knowledge – in shareholder agreements.

### 2022 Annual General Meeting

The AGM was held in Stockholm on Wednesday, 23 March 2022. 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 137,133,268 shares, corresponding to 65.58% 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 7.75 per share for the 2021 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 770,000 for the Chairman of the Board.
  - SEK 490,000 for each of the other AGM-elected directors who are non-executive directors, an additional SEK 200,000 for the Chairman of the Audit Committee and an additional SEK 100,000 for the other members of the Audit Committee, and an additional SEK 75,000 for the Chairman of the Remuneration Committee and an additional SEK 50,000 for the other members of the Remuneration Committee.

- 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 Fabian Bengtsson, Caroline Berg, Christian Luiga, Peter Ruzicka and Christer Åberg as directors.
  - Election of Sara Öhrvall as a new director.
- Election of auditor in accordance with the Nominating Committee's proposal:
  - Re-election of Deloitte AB as the Company's auditor for the period from the end of the 2022 AGM until the end of the 2024 AGM.
- 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.
- Authorisation for the Board of Directors to decide on a new share issue with preferential rights for the Company's shareholders in accordance with the Board's proposal, in accordance with Axfood's earlier announcement that it intended to carry out a rights issue of about SEK 1.5 billion in order to maintain a strong financial position following the acquisition of Bergendahl Food AB.

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 connec-

tion 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 2023 AGM

A Nominating Committee was appointed in September 2022, after which a change took place in October 2022 as a result of a changed ownership structure. The owners that are represented on the Nominating Committee, based on the ownership structure as of 30 September 2022, are Axel Johnson, Handelsbanken Fonder, Swedbank Robur Fonder and ODIN 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 2023 AGM, the Nominating Committee held four meetings and also maintained regular contact. No fees have been paid to the members for their work on the Nominating Committee.

### Nominating Committee's composition

Name	Representing	Share of votes as of 30 Sep 2022, %
Marie Ehrling	Axel Johnson AB, Committee Chairman	50.1
Sussi Kvart	Handelsbanken Fonder	2.4
Joachim Spetz	Swedbank Robur Fonder	2.1
Peter Nygren	ODIN Fonder	1.6

### 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.

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

## GOVERNING BODIES, RULES AND REGULATIONS

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 items as the President and CEO's report, financial reports, investments and strategic matters. Prior to Board meetings, the directors are provided with written material on the items of business to be addressed.

The Board also adopts annual instructions for the President and CEO.

### Composition of the Board of Directors

Since the 2022 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. Of the AGM-elected directors, three are women. The Board's members have a breadth and depth of experience in relevant areas. A more detailed presentation of the directors is provided on page 138.

Axfood's President and CEO Klas Balkow is not a director but participates in Board meetings as a reporter. 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; Fabian Bengtsson, Christian Luiga, Peter Ruzicka, and Christer Åberg, have been determined to have met the requirement for independence in relation to the major shareholders for all of 2022. 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 Sara Öhrvall, who served as COO of Axel Johnson until August 2022 and subsequently as an adviser to Axel Johnson.

### The Board's work in 2022

The Board held 15 meetings in 2022, of which one was the statutory meeting held immediately after the AGM and four were held per capsulam (one to adopt the Annual Report, one to approve the AGM documentation, one to decide on share issue terms and one to approve the prospectus for the share issues). Standing agenda items at regular Board meetings include a status report from the President and CEO, a follow-up of the Company's earnings performance, the market situation, sustainability issues, and matters concerning investments and establishments. The Remuneration and Audit Committees submit reports from their meetings at the following Board meeting, and interim reports are addressed quarterly.

During the year, the Board adopted rules of procedure for the work of the Board, the Audit Committee and the Remuneration Committee as well as the Group's Code of Conduct, credit and finance policy, investment policy, compliance policy and communication policy.

## The Board's work in 2022

### First quarter

#### February

- President's status report
- Results 2021
- Report from the auditors
- Matters ahead of AGM
- Year-end report
- Investment matters
- Acquisitions and strategic discussions
- Report from the Board's committees
- Resolutions ahead of AGM (per capsulam)
- Resolution concerning Annual Report (per capsulam)

#### March

- AGM
- Statutory Board meeting

#### April

- President's status report
- Forecast update
- Q1 interim report
- Acquisitions and strategic discussions
- New issue Axfood
- 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 2022
- Succession planning
- Report from the Board's committees

### Second quarter

#### May

- New issue Mathem

#### June

- President's status report
- Strategy discussions
- Investment matters

### Third quarter

#### July

- President's status report
- Half-year report
- Report from the Board's committees

#### September

- President's status report
- Strategy discussions Dagab
- Investment matters
- Report from the Nominating Committee

### Fourth quarter

#### October

- President's status report
- Q3 interim report
- Forecast 2022
- Investment matters
- Report from the Board's committees

#### December

- President's status report
- Report from the auditors
- Strategic priorities and budget 2023
- Yearly reports (internal control, whistleblower service, compliance, disputes, risks and insurance)
- Adoption of Code of Conduct
- Results of employee survey
- Investment matters
- Report from the Board's committees

## GOVERNING BODIES, RULES AND REGULATIONS

In June, a strategy meeting was held during which the strategies of Axfood and its operations were addressed along with Axfood's sustainability and employee agendas. Strategy work subsequently continued at the subsidiary level and in the Executive Committee, after which the Board adopted a business plan for 2023 in December. Other important business matters were the rights issue, a follow-up of the acquisition of Bergendahl Food AB and ownership matters related to Mathem.

As a general rule, Board meetings have been held at the Company's head office. However, the strategy meeting was held externally, and the September meeting was held at the Group's new logistics centre in Bålsta and was combined with strategy issues related to Dagab.

In April, with the support of the AGM's authorisation, the Board decided on a new issue of a maximum of 6,972,528 shares with preferential rights for existing shareholders. The subscription period concluded on 23 May, and the final outcome showed that 6,831,824 shares were subscribed for with the support of subscription rights. The remaining 140,704 shares were allocated to investors who had subscribed for shares without the support of subscription rights. The rights issue was thus fully subscribed, and Axfood received SEK 1,499 million before issue costs.

The Company's auditors attended the first Board meeting of the year to report on their audit of the annual accounts for the 2021 financial year. They also attended the last meeting of the year to inform on planning ahead of 2023 and to report on their continuing audit.

### 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	–	14/15	4/4	–
Stina Andersson	2018	No	–	Yes	3/3 <sup>1)</sup>	–	2/2 <sup>1)</sup>
Fabian Bengtsson	2016	Yes	–	–	15/15	–	–
Caroline Berg	2014	No	Yes	–	15/15	4/4	–
Christian Luiga	2020	Yes	–	Yes	14/15	–	7/7
Peter Ruzicka	2021	Yes	Yes	–	15/15	4/4	–
Christer Åberg	2017	Yes	–	Yes	13/15	–	7/7
Sara Öhrvall	2022	No	–	Yes	12/12 <sup>1)</sup>	–	4/5 <sup>1)</sup>
Anders Helsing (employee representative)	–	–	–	–	15/15	–	–
Michael Sjöbrén (employee representative)	–	–	–	–	15/15	–	–
Lars Östberg (employee representative)	–	–	–	–	15/15	–	–

1) Stina Andersson left the Board in connection with the AGM on 23 March 2022, at the same time as Sara Öhrvall joined the Board. For information on directors' fees for 2022, see Note 8.

The Board addressed the auditors' reports and reviewed the Company's internal control and compliance, and performed the annual evaluation of the Board. An overview of the Board's work for the year is also presented in the illustration on the previous 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 and CEO, 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. The committee is also tasked with monitoring and evaluating variable remuneration programmes for senior executives.

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 President and CEO.

During 2022, 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 addressed the proposed new 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 four meetings in 2022. The committee's members were paid a fee in accordance with the AGM's resolution for work on the Remuneration Committee.

### Audit Committee

The Board has appointed an Audit Committee, which is tasked with, among other things, monitoring the efficiency of the Group's internal control and risk management with respect to financial reporting. The Audit Committee is furthermore tasked with monitoring the financial reporting, and together with the Executive Committee following and assessing the handling of complicated matters related to accounting and valuation. The Audit Committee also follows and evaluates 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 and work with internal control. The Audit Committee's assignment also includes recommending guidelines for any services other than the audit that the Group may procure from the Company's auditors.

The Audit Committee's members in 2022 were Christian Luiga (Committee Chairman), Stina Andersson, Christer Åberg and Sara Öhrvall. 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 2022. The committee's members were paid a fee in accordance with the AGM's resolution for work on the Audit Committee.

### 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.

## GOVERNING BODIES, RULES AND REGULATIONS

In 2022, a survey for all of the directors was carried out. 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 January 2023.

**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 2022 AGM for a term until the 2024 AGM. Hans Warén, Authorised Public Accountant and Chairman of Deloitte i Sverige, is chief auditor until the 2023 AGM, after which Authorised Public Accountant Didrik Roos will take over as chief auditor. In addition to his assignment with Axfod, Hans Warén is chief auditor for Industrivärden, SKF and Trelleborg. Didrik Roos is chief auditor for Boozt, H&M and Tele2.

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.

**Executive Committee**

The Executive Committee is made up of Axfod's President (who is also the CEO), four managing directors of subsidiaries that conduct business activities and six 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. All members of the Executive Committee are also part of a committee that participates in a sustainability forum held each quarter to address issues related to the Group's sustainability efforts. The Group's Head of Sustainability, Åsa Domeij, also participates in the sustainability forum.

An annual business plan is adopted by Axfod's Board at the end of the year after being drafted by the subsidiaries and the Executive Committee. The work on the business plan thereby involves employees from several levels within the Group. The business plan is addressed by the Executive Committee during the year and is thus a dynamic planning and follow-up document.

The subsidiaries are governed by their respective Boards. Axfod'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 139.

**Guidelines for remuneration to senior executives**

The guidelines for remuneration to senior executives of Axfod 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 Axfod 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.

Axfod 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 described framework.

**The Board's proposal for new guidelines for remuneration to senior executives**

Proposed new guidelines for remuneration to senior executives have been prepared by the Remuneration Committee and later the Board of Directors, and have been presented as a proposal to the 2023 AGM. The proposal does not entail any major changes to the Company's existing guidelines, but rather is intended to keep the current principles for pension provisions following the introduction of a cap for pension provisions under ITP 1 as of 1 January 2023 and to align the principles for pension provisions with those under ITP 1 and ITP 2. No other changes or terms of employment for senior executives have been proposed.



THE BOARD'S REPORT ON INTERNAL CONTROL

# 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 Axfood 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 Axfood is based on the COSO Internal Control Integrated Framework, which has been adapted to the operations. The framework comprises the following components: control environment, risk assessment, control activities, information and communication, and monitoring.

Axfood'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 is responsible for this work and reports the results and its conclusions to the Audit Committee and the Board.

### 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. Axfood'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 Axfood'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

Axfood 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 33–36.

### Control activities

Axfood's control activities derive from the most material risks that impact the financial reporting. These control activities are defined in the Group's 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 risk and control matrix that ensures that risks in Group-wide processes are managed effectively.

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 Axfood's governance documents are communicated via the Group's intranet and are updated annually to reflect any changes to internal and external requirements. Guidelines for internal governance and control are announced in accordance with the Group's communication structure and procedures for governance documents.

The steering committee for internal control reports the results of the year's internal control work to the Audit Committee, primarily focusing on observations, recommendations and measures.



THE BOARD'S REPORT ON INTERNAL CONTROL

**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.

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 and process owner 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.

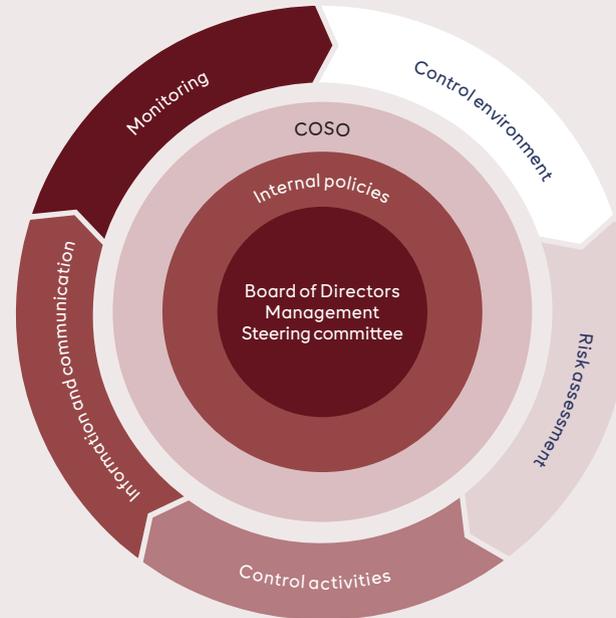
**Focus areas during the year**

During the year, Axfood actively worked to improve and strengthen the Group's internal control by further developing and clarifying the Group's control framework. The employees involved received additional training in the area to improve their understanding. Closer cooperation with the control owners also resulted in positive changes to the evaluation and reporting process, thereby ensuring the effectiveness of the entire process.

Stockholm, February 2023

*Board of Directors of Axfood AB*

**Internal control**



**Assessment of a separate audit function**

Axfood 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.



## Auditor's report on the corporate governance statement

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

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2022-01-01–2022-12-31 on pages 128–139 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevR 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement 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.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

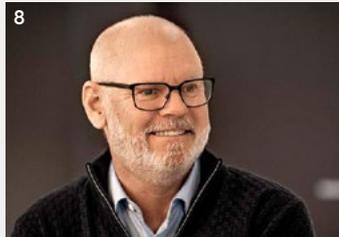
Date as evidenced by our digital signature.

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 and Dustin Group. Director of AxSol, Efva Attling Stockholm, Kicks Kosmetikkedjan and Martin & Servera. *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. Fabian Bengtsson

Director

*Born:* 1972

*Other assignments:* Chairman of SIBA Invest and Företagarnas Riksstyrelse. Director of Komplet Group AS. *Education:* B.Sc. Business and Economics, Lund University. *Current position:* CEO of SIBA Fastigheter.

*Professional experience:* Long track record of experience in retail and digital trade, including as CEO of the SIBA Group, Chairman of Netonnet, and 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:* 7,285

### 3. Caroline Berg

Director

*Born:* 1968

*Other assignments:* Chairman of Axel Johnson and Martin & Servera. Vice Chairman of Nordstjärnan. Director of Novax, AxFast 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 and member of Axel Johnson's 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:* 13,226

### 4. Christian Luiga

Director

*Born:* 1968

*Other assignments:* Chairman of Combitech AB. Director of UMS Skeldar AG and the non-profit association Beredskapslyftet (Skill Shift Initiative). *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:* 3,100

### 5. Peter Ruzicka

Director

*Born:* 1964

*Other assignments:* Chairman of Pandora AS and Royal Unibrew AS. Director of AKA AS and Aspelin Ramm Gruppen AS.

*Education:* Bachelor's degree 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

### 6. Christer Åberg

Director

*Born:* 1966

*Other assignments:* Chairman of 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 of Hilding Anders International, CEO of Orkla Confectionery & Snacks, CEO of Arla Foods, CEO of 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:* 6,716

### 7. Sara Öhrvall

Director

*Born:* 1971

*Other assignments:* Chairman of Humla. Director of Axel Johnson International, Investor, Bonnier Books and SNS, and member of the International Advisory Board for the Stockholm Resilience Centre.

*Education:* MSc International Business, Umeå University. *Current position:* Senior Advisor at Axel Johnson.

*Professional experience:* COO at Axel Johnson, Chief Transformation Officer at SEB, Senior Vice President R&D at Bonnier AB, co-founder and CEO of Differ and Mindmill Networks, and Product Development Director at Volvo Cars.

*Director since:* 2022

*Committee membership:* Audit Committee Independent in relation to the Company and Executive Committee. Non-independent in relation to major shareholders of the Company.

*No. of Axfod shares:* 162

### 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 Sjören

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 2022



## 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 with Bredbandsbolaget.  
*Member of Axfod's Executive Committee since:* 2017  
*No. of Axfod shares:* 48,267
- 2. Sandra Brånstad**  
General Counsel  
*Born:* 1975  
*Employee since:* 2018  
*Other assignments:* Director of Ortala AB and Pensan AB.  
*Education:* Master of Laws, 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:* 8,001
- 3. 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 Svensk Plasttätning 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:* 23,192
- 4. 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:* 4,608
- 5. 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:* 8,944
- 6. Anders Lexmon**  
Chief Financial Officer  
*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:* 14,237
- 7. Monica Långbo**  
Head of Human Resources  
*Born:* 1963  
*Employee since:* 2019  
*Education:* Executive MBA; Stockholm University College of Education; 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:* 5,287
- 8. 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:* 5,151
- 9. 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:* 15,617
- 10. 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:* 13,375
- 11. Carl Stenbeck**  
Head of Strategy and Business Development  
*Born:* 1979  
*Employee since:* 2018  
*Other assignments:* Chairman of Urban Deli. Director of Apohem and Mathem.  
*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:* 6,000

Own and related parties' shareholdings, 31 December 2022



# Other information

# Definitions and glossary

## Financial key ratios

In addition to the financial key ratios prepared in accordance with IFRS, Axfod 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 Axfod's operations and development. The APMs used are considered generally accepted in the industry. APMs should not be seen as a substitute for financial information presented in accordance with IFRS, but as a complement. 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	2022	2021
<b>Operating profit (EBIT)</b>	<b>3,101</b>	<b>2,704</b>
Depreciation, amortisation, impairment	2,615	2,399
<b>EBITDA</b>	<b>5,716</b>	<b>5,103</b>
IFRS 16 Lease fees	-1,904	-1,702
<b>EBITDA excl. IFRS 16</b>	<b>3,812</b>	<b>3,401</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 Axfod'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. 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 Axfod'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. Axfod monitors growth in both retail sales and net sales. One of Axfod's Group-wide strategic targets is to grow faster than the market, and growth in retail 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.

**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.

**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.

**Retail sales:** Reported store sales including online sales for the concepts Willys, Willys Hemma, Eurocash, Hemköp Group-owned stores, Hemköp retailer-owned stores and Tempo, excluding adjustments mainly related to customer bonuses.

**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 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 SDGs pertaining to working conditions, economic growth and gender equality.

**Global Food Safety Initiative (GFSI):** A business-led initiative for constant improvement in management systems for health and food safety.

**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

Each year is recognised as reported for the respective year and in accordance with the accounting policies applicable at the time. Previous years have not been restated unless otherwise when new accounting standards are applied, unless stated otherwise.

SEK m	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Result of operations</b>										
Net sales	73,474	57,891	53,696	50,740	48,085	45,968	43,355	41,247	38,484	37,522
Operating profit	3,101	2,704	2,510	2,288	2,025	1,886	1,902	1,760	1,447	1,302
Profit after financial items	2,935	2,582	2,394	2,173	2,016	1,881	1,894	1,749	1,430	1,278
Tax	-564	-488	-531	-494	-439	-414	-421	-388	-326	-285
<b>Net profit for the year</b>	<b>2,370</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>Financial position</b>										
Intangible assets	4,990	5,295	3,519	3,472	3,449	3,388	2,478	2,528	2,536	2,645
Property, plant and equipment	5,294	3,815	2,912	2,744	2,202	2,032	1,799	1,930	1,894	1,916
Right-of-use assets	9,025	6,384	5,656	5,407	-	-	-	-	-	-
Financial and other non-current assets	850	731	286	259	168	215	199	155	134	96
Inventories and other current assets	7,900	6,772	4,906	4,614	4,750	4,458	4,337	3,991	4,019	3,815
Cash and cash equivalents and assets held for sale	559	734	1,534	798	1,675	1,376	1,726	1,933	1,109	457
<b>Assets</b>	<b>28,618</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>
Equity	6,609	4,952	4,331	4,020	4,304	4,266	4,117	4,530	4,029	3,768
Non-controlling interests	292	224	232	229	224	212	1	1	36	34
Lease liabilities	9,050	6,404	5,708	5,509	-	-	-	-	-	-
Other interest-bearing liabilities and provisions	492	1,971	403	421	524	528	498	504	585	535
Other liabilities	12,176	10,181	8,139	7,115	7,192	6,463	5,923	5,502	5,042	4,592
<b>Equity and liabilities</b>	<b>28,618</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>Cash flow</b>										
Cash flow from operating activities	5,927	4,590	4,851	3,555	2,702	2,534	2,241	2,495	2,029	1,596
Cash flow from investing activities	-2,778	-3,842	-1,080	-1,386	-992	-1,500	-559	-751	-582	-718
Cash flow from financing activities	-3,324	-1,548	-3,036	-2,943	-1,515	-1,384	-1,889	-920	-795	-942
<b>Cash flow for the year</b>	<b>-175</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>

## TEN-YEAR OVERVIEW

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Key ratios</b>										
Operating margin, %	4.2	4.7	4.7	4.5	4.2	4.1	4.4	4.3	3.8	3.5
Equity ratio, %	24.1	21.8	24.3	24.6	37.0	39.0	39.1	43.0	41.9	42.6
Net debt (+)/net receivable (-), SEK m	8,982	7,640	4,577	5,131	-	-	-	-	-	-
Net debt (+)/net receivable (-) excl. IFRS 16, SEK m	-68	1,236	-1,131	-377	-1,047	-871	-1,249	-1,449	-524	78
Net debt/EBITDA, multiple	1.6	1.5	1.0	1.2	-	-	-	-	-	-
Net debt/EBITDA excl. IFRS 16, multiple	0.0	0.4	-0.4	-0.1	-0.4	-0.3	-0.5	-0.6	-0.2	0.0
Net debt-equity ratio (+)/net receivable-equity ratio (-), multiple	1.3	1.5	1.0	1.2	-	-	-	-	-	-
Net debt-equity ratio (+)/net receivable-equity ratio (-) excl. IFRS 16, multiple	0.0	0.2	-0.2	-0.1	-0.2	-0.2	-0.3	-0.3	-0.1	0.0
Capital employed, SEK m	16,442	13,550	10,674	10,178	5,052	5,006	4,616	5,035	4,650	4,337
Return on capital employed, %	20.9	22.4	24.2	30.1	40.4	39.4	39.5	36.5	32.4	30.3
Return on equity, %	40.8	46.3	45.7	39.6	36.2	34.9	34.1	31.8	28.1	27.5
Average number of employees during the year	12,772	12,202	11,451	10,854	10,215	9,903	9,211	8,803	8,481	8,285
Total capital expenditures, SEK m	6,967	3,565	2,755	2,452	1,021	1,934	580	764	643	806
Investments in intangible assets and in property, plant and equipment, SEK m	2,593	1,825	1,031	1,481	1,021	1,934	580	764	643	806
Depreciation/amortisation, SEK m	2,580	2,399	2,252	2,146	760	744	719	696	693	667
Number of shares outstanding at end of period	215,805,384	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
<b>Key data per share</b>										
Earnings per share before dilution, SEK <sup>1)</sup>	11.04	10.20 <sup>2)</sup>	9.12	7.87	7.41	6.98	7.02	6.48	5.22	4.70
Earnings per share after dilution, SEK <sup>1)</sup>	10.99	10.16 <sup>2)</sup>	9.09	7.85	7.40	6.98	7.02	6.48	5.22	4.70
Ordinary dividend per share, SEK <sup>1)</sup>	8.15 <sup>3)</sup>	7.75	7.50	7.25	7.00	7.00	6.00	5.00	4.25	3.75
Extra dividend per share, SEK	-	-	-	-	-	-	-	4.00	-	-
Equity per share, SEK <sup>1)</sup>	30.62	23.68	20.70	19.21	20.54	20.35	19.62	21.58	19.20	17.96
Cash flow per share, SEK <sup>1)</sup>	-0.82	-3.82	3.51	-3.70	0.93	-1.67	-0.99	3.93	3.11	-0.30
Cash flow from operating activities per share, SEK <sup>1)</sup>	27.81	21.95	23.18	16.98	12.89	12.08	10.68	11.89	9.67	7.60

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) Comparison figures for 2021 were restated for the bonus issue element of the rights issue that was completed in the second quarter of 2022. Other years have not been restated.

3) Proposed by the Board of Directors.

# The share and ownership structure

**LISTING:** NASDAQ STOCKHOLM, LARGE CAP

**TICKER:** AXFO

**MARKET CAPITALISATION AT YEAR-END:** SEK 62 BN

**NUMBER OF SHARES:** 216,843,240

**ISIN:** SE0006993770

Axfood's shares are listed on Nasdaq Stockholm. The share capital as of 31 December 2022 was SEK 271 m, distributed among 216,843,240 shares with a share quota value of SEK 1.25. Each share carries entitlement to one vote.

A rights issue was completed in 2022 with the support of the AGM's authorisation and the Board of Directors' resolution. The rights issue comprised a maximum of 6,972,528 shares, with the Company's shareholders receiving one subscription right for each share held and 30 subscription rights entitling the holder to subscribe for one new share. The subscription price was SEK 215 per share. The number of registered shares is 216,843,240 after the rights issue. Read more in Note 23.

## Trading volume

A total of 125.9 million (102.3) Axfood shares were traded in all marketplaces in 2022, with an average daily trading volume of 499,491 shares (414,291). Trading on Nasdaq Stockholm accounted for 66% (75) of the total trading volume in Axfood shares. Daily trading in relation to Axfood's market capitalisation on Nasdaq Stockholm amounted to 0.17% (0.16), compared with an average of 0.25% (0.21) for the Large Cap list. Daily trading in relation to Axfood's market capitalisation on all marketplaces amounted to 0.23% (0.19), compared with an average of 0.30% (0.23) for the Large Cap list.

## Share performance and market capitalisation

Based on the closing share price on 31 December 2022, SEK 285.90, the Group's market capitalisation was SEK 61,995 m (54,650). The share price increased by 10% during the year, while the total index (OMXSPI) fell 25%. The total return for Axfood's shares in 2022 including reinvested dividends increased 13%. The highest closing price quoted during the year was SEK 333.60 on 22 August. The lowest closing price quoted during the year was SEK 233.20 on 27 January.

## Ownership structure

The number of shareholders in 2022 increased to 117,685 at year-end (97,249). The principal owner is the Axel Johnson Group, with 50.1% of the shares (votes and capital). No other shareholder owns – directly or indirectly – more than 10% of the shares in Axfood (votes and capital). Axel Johnson's shareholding was unchanged in 2022 since a corresponding pro rata shareholding was subscribed for in the rights issue. Foreign ownership at year-end corresponded to 19.6% of the share capital, a decrease of -3.1 percentage points compared with the previous year. Swedish ownership, which corresponded to 80.4 of the share capital, was distributed between Axel Johnson, institutional shareholders (14.2), private persons (13.1) and other Swedish owners (3.0). The largest foreign ownership is in the US, Norway, France, Finland and Denmark.

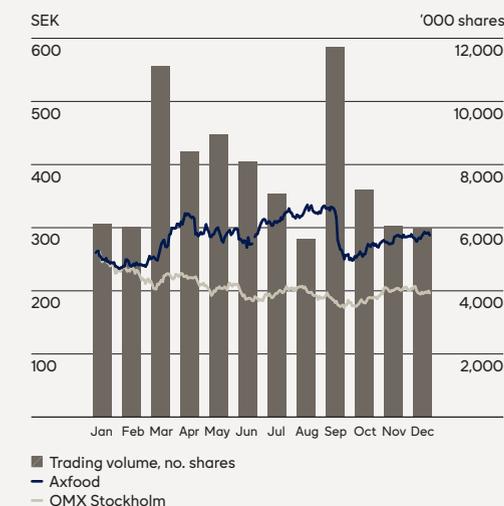
## Dividend

The Board of Directors proposes that the AGM resolve in favour of an increased dividend for the 2022 financial year of SEK 8.15 per share (7.75), corresponding to 74% of net profit for the year. During the last five years, the ordinary dividend has averaged 83% of profit after tax.

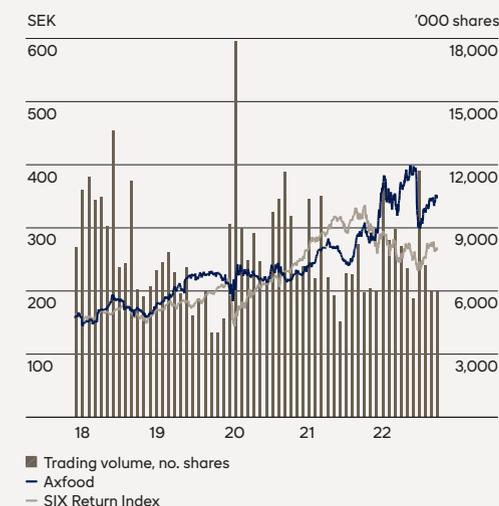
## Share repurchases

To secure delivery of shares linked to Axfood's long-term share-based incentive programmes, Axfood conducts share repurchases. At year-end, Axfood's holding of treasury shares amounted to 1,037,856 shares, corresponding to 0.5% of the total number of shares. More information about Axfood's share repurchase programmes is provided in Note 8.

Axfood share price and trading volume, 2022



Total return, Axfood share, index



## THE SHARE AND OWNERSHIP STRUCTURE

### Breakdown of ownership, 31 December 2022

Size class	No. shareholders	Shareholders, %	No. of shares	Share of votes and capital, %
1–500	106,686	90.7	7,065,799	3.3
501–1,000	5,196	4.4	3,750,147	1.7
1,001–5,000	4,773	4.1	9,353,410	4.3
5,001–10,000	525	0.5	3,615,337	1.7
10,001–20,000	205	0.2	2,807,335	1.3
20,001–	299	0.2	176,484,530	81.4
Breakdown unknown	–	6.3	13,766,682	6.3
<b>Total</b>	<b>117,685</b>	<b>100.0</b>	<b>216,843,240</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 2022. Totals may be affected by rounding.

### Ten largest shareholders at 31 December 2022

Name	No. of shares	Capital and votes, %
Ax:son Johnson (family and companies)	108,541,606	50.1
Swedbank Robur Funds	6,274,140	2.9
Handelsbanken Funds	5,330,011	2.5
Vanguard	3,777,717	1.7
Odin Funds	2,780,602	1.3
Norges Bank	2,768,422	1.3
Spiltan Funds	2,093,039	1.0
AMF Pension and Funds	2,018,716	0.9
BlackRock	1,930,371	0.9
Göran Sax	1,904,034	0.9
<b>Total</b>	<b>137,418,658</b>	<b>63.4</b>
Others	79,424,582	36.6
<b>Total</b>	<b>216,843,240</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 2022. Totals may be affected by rounding.

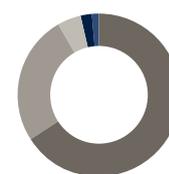
### Key data per share

Amounts in SEK	2022	2021	2020	2019	2018
Ordinary dividend	8.15 <sup>1)</sup>	7.75	7.50	7.25	7.00
Dividend payout, %	73.8 <sup>1)</sup>	76.0 <sup>2)</sup>	82.2	92.1	94.4
Number of shares outstanding	215,805,384	209,104,732	209,198,604	209,298,712	209,494,712
Share price at year-end	285.90	260.40	191.80	208.40	151.70
Market capitalisation at year-end, SEK m	61,995	54,650	40,253	43,737	31,837
Highest/lowest closing share price	333.60/233.20	260.40/192.70	217.60/168.40	212.50/151.90	185.70/140.20
Dividend yield, %	2.9 <sup>1)</sup>	3.0	3.9	3.5	4.6
Earnings per share before dilution	11.04	10.20 <sup>2)</sup>	9.12	7.87	7.41
Equity per share	30.62	23.68	20.70	19.21	20.54
P/E ratio	25.9	25.5 <sup>2)</sup>	21.0	26.5	20.5
Daily trading in relation to market capitalisation (total), %	0.23	0.19	0.25	–	–
Volatility, standard deviation, %	28.6	14.7	27.6	19.1	21.4
Beta	0.30	0.27	0.23	0.39	0.42
Number of shareholders	117,685	97,249	80,342	61,592	52,202

1) Proposed by the Board of Directors.

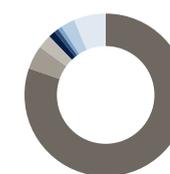
2) Comparison figures for 2021 were restated for the bonus issue element of the rights issue that was completed in the second quarter of 2022. Other years have not been restated.

### Trading volume for Axfood shares on various marketplaces



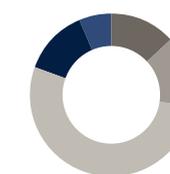
- Nasdaq Stockholm, 66.0%
- CBOE Global Markets, 25.9%
- Acquis, 4.7%
- LSE Group, 2.1%
- Other, 1.3%

### Geographic distribution of shareholders



- Sweden, 80.4%
- USA, 4.9%
- Norway, 2.7%
- France, 1.5%
- Finland, 0.8%
- Denmark, 0.6%
- Other, 2.8%
- Anonymous ownership, 6.3%

### Breakdown of ownership



- Swedish private persons, 13.1%
- Swedish institutions, 14.2%
- Other Swedish owners, 53.4%
- Foreign institutions, 13.0%
- Other and anonymous ownership, 6.3%

Source: Monitor by Modular Finance AB, with data from various sources, including Euroclear Sweden AB and Morningstar as of 31 December 2022. Totals may be affected by rounding.

# Shareholder information

## Axfood's website

Axfood'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, purpose, business concept and strategy, corporate governance and sustainability work. Visitors to the website can also find information about the performance of Axfood's shares over time. Press releases, presentations, financial reports and information about the 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

Axfood's financial reports from 2000, the year in which Axfood was established, and onwards are available from the Company's website. 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 Axfood provides. Conference calls are held in English in connection with publication of Axfood's interim reports and year-end reports.

» Read more about Investor Relations at Axfood

## IR activities

The aim of Axfood's investor relations is to keep the capital market continuously informed about the Company's operations and development. Through regular meetings with Swedish and international institutional investors and analysts, a dialogue is maintained and continuous information is provided. Presentations are made during conferences and meetings, and always in connection with the publication of interim reports and year-end reports.

Topics of particular interest for investors and analysts in 2022 included the extent to which the Company's various operations have developed and handled the changed market dynamics after the recovery from the pandemic and high inflation. Focus was also placed on the integration of the acquired company Bergendahls Food, the acquired minority stake in City Gross, the new logistics platform and investments in automation, the digital customer meeting and development in e-commerce, and the Group's sustainability work.

Axfood 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, Axfood participated in events in Malmö, Lund and Trelleborg.

## Analysts who cover Axfood

ABG Sundal Collier	Fredrik Ivarsson
Carnegie Investment Bank	Niklas Ekman
Danske Bank	Daniel Schmidt
DNB	Simen Aas
Handelsbanken	Nicklas Skogman
Kepler Chevreux	Magnus Råman
Nordea	Daniel Ovin
SEB	Gustav Hagéus

## Contact

Head of Investor Relations  
 Alexander Bergendorf  
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 alexander.bergendorf@axfood.se

## Financial calendar 2023

<b>14 March</b> Record date for 2023 AGM	<b>29 March</b> Proposed date for payment of dividend	<b>22 September</b> Proposed record date for payment of dividend
<b>22 March</b> AGM	<b>26 April</b> Interim report January–March	<b>27 September</b> Proposed date for payment of dividend
<b>23 March</b> Ex-dividend date	<b>14 July</b> Interim report January–June	<b>25 October</b> Interim report January–September
<b>24 March</b> Proposed record date for payment of dividend	<b>21 September</b> Ex-dividend date	

## Axfood wins Listed Company of the Year 2021/2022

In 2022, Axfood won the Listed Company of the Year 2021/2022 award. The competition began in 1980, initiated by the Swedish Shareholders Association, and has been organised by Kanton communication agency since 2007. The competition – the most comprehensive in financial communication and investor relations (IR) in Sweden – awarded Axfood maximum points in the categories of Best Annual Report and Best Interim Report, and the highest points in Best IR Website. The jury particularly highlighted the honesty and transparency that it perceives to be the hallmarks of Axfood's financial communication.

*From left: Hanna Stenström, Head of Group Financial Control, Alexander Bergendorf, Head of Investor Relations, Sara Kraft Westrell, Head of Corporate Communications.*



# 2023 AGM

The Annual General Meeting (AGM) of Axfood AB (publ) will be held on Wednesday, 22 March 2023 at 5:00 p.m. at Münchenbryggeriet (Torkel Knutssongatan 2) in Stockholm, Sweden. Registration opens at 4:00 p.m. The Board of Directors has decided that shareholders may also exercise their voting rights by postal voting.

## Registration and notification

To be entitled to participate in the AGM, shareholders must be recorded in the register of shareholders maintained by Euroclear Sweden AB not later than Tuesday 14 March 2023, and must notify the Company of their intention to participate in the AGM not later than Thursday, 16 March 2023. Shareholders who wish to participate in the AGM venue must notify the Company by 16 March. Notifications may be submitted by post to Axfood AB, "Årsstämman", c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden, by telephone at +46 8 402 90 51, or on Euroclear's website, which can be reached via a link provided on Axfood's website. The notification must include the shareholder's name and personal identity number or corporate registration number, address, telephone number, and the number of assistants (a maximum of two) accompanying the shareholder. Shareholders who wish to participate in the AGM by postal voting must submit their postal votes so that their postal votes have been received by Euroclear not later than 16 March. The postal voting form and other information are available on Axfood's website. If a shareholder is represented by a power of attorney, a power of attorney (together with any authorisation documents such as a registration certificate) must be submitted to Axfood in ample time prior to the AGM.

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, so that the shareholder is included in the register of shareholders by the record date 14 March.

## Dividend

The Board of Directors recommends that the AGM resolve in favour of a dividend of SEK 8.15 per share (7.75) for the 2022 financial year. The dividend will be split into two payments, SEK 4.15 per share in March 2023 and SEK 4.00 per share in September 2023. 24 March and 22 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 29 March and 27 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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**Willys AB**

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www.willys.se  
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**Dagab Inköp & Logistik AB**

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**Axfood AB**

Shared Service Center  
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Tel: +46 36 36 41 00

www.solberg.se

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