

First quarter 2017 in summary

- ICA Gruppen's greenhouse gas emissions decreased by 36% (24%) during the period April 2016–March 2017 (rolling 12 months) compared with the base year 2006.
- The share of socially audited suppliers of ICA Gruppen's corporate brand products was 97% during the quarter, which is level with the preceding quarter.
- The share of quality-certified suppliers of ICA Gruppen's corporate brand products was 87%, which is in level with the preceding quarter.
- New Group target for health: by 2020 at the latest to be the actor in the market that consumers perceive as most clearly helping them make healthy choices.
- Continued sales growth for the eco-labelled, organic and ethically labelled range. In total, sales of organic products from ICA Sweden's central assortment grew 8% (18%) during the period April 2016–March 2017 (rolling 12 months) compared with the corresponding period a year ago.
- Välj med Hjärtat label rolled out at all pharmacies. The label ("Choose with your Heart") has been developed to help customers make environmentally sustainable choices of both over-the-counter medicines and traded goods.
- Partnership for reduced food waste. To reduce food waste at stores, during the quarter ICA Sweden began working with the organisation Food2change.
- Hemtex on the list of the ten brands that buy the most Better Cotton in relation to their total use of cotton.

We raise the level of ambition and increase transparency

ICA Gruppen aims to be a leader in sustainability. For the past several years we have been working actively and in a structured manner with continuous change in all steps of the value chain. The end goal is to influence producers and consumers in a more sustainable direction and to conduct our own operations in a climate-smart manner.

This work continued during the first quarter of 2017. Key achievements include a decrease in greenhouse gas emissions according to plan, a steadily higher sales of ecolabelled, organic and ethically labelled foods at ICA Sweden, the roll-out of the "Choose with your Heart" label at all pharmacies, and a changeover to renewable energy at Rimi Baltic.

An important part of sustainability work also entails communicating and reporting on what we do, and we are very proud to be one of the few Swedish companies which – for several years – in addition to producing an

annual sustainability report also publishes three quarterly reports on our work in this area. We are now raising the bar even higher. Starting in 2017 we are increasing the frequency of our reporting to once a quarter. Along with our reporting we aim to further increase our transparency and continue to show how we are contributing to sustainable development.

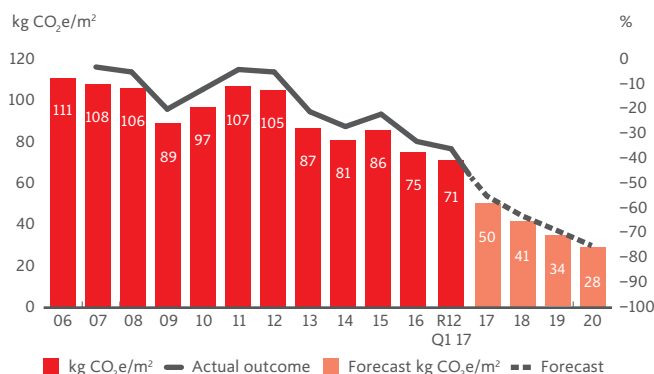
Per Strömberg, CEO ICA Gruppen



Key figures

ICA Gruppen's operations will be climate-neutral by 2020	Rolling 12 months (Q2 2016 – Q1 2017)	Previous rolling 12 months (Q2 2015 – Q1 2016)
Decrease in emissions compared with 2006	-36%	-24%

Emissions kg CO₂e/m² 2006–Q1 2017 and forecast to 2020



The climate impact that cannot be eliminated in operations by 2020 will be addressed through offsets.

100% of ICA Gruppen's corporate brand suppliers in high-risk countries will be socially audited	Q1 2017	Q4 2016	Full year 2016
Outcome	97%	98%	98%

80% of ICA Gruppen's corporate brand suppliers will be quality certified	Q1 2017	Q4 2016	Full year 2016
Outcome	87%	87%	87%

ICA Sweden	Rolling 12 months (Q2 2016 – Q1 2017)
Sales development, ecolabelled, organic & and ethically labelled range*	8%
Sales development, organic range**	10%

* Pertains to total sales of ICA Sweden AB's eco-labelled, ethically labelled and organic range in Swedish ICA stores, excluding local purchases by ICA stores.

** Pertains to total sales of ICA Sweden AB's organic range in Swedish ICA stores, excluding local purchases by ICA stores.

Support customers' sustainable choices:

Continued growth in ecolabelled, organic and ethically labelled products

Store sales of ecolabelled, organic and ethically labelled products in ICA Sweden AB's central assortment increased during the period Q2 2016–Q1 2017 by 8% compared with the corresponding period a year ago. As a share of total sales, ecolabelled, organic and ethically labelled foods amounted to 10.3% during the same period.

The total sales value of organic products amounted to SEK 6.4 billion on a rolling 12-month basis, compared with approximately SEK 5.8 billion for the preceding 12-month period. Sales of organic foods including fruits and vegetable as a share of total grocery sales were approximately 4.8% on a rolling 12-month basis. The organic range was expanded during the quarter with a number of new products, of which most were under the ICA I love eco brand. A few examples include organic bouillon, organic almond milk and organic Swedish KRAV-labelled butter.

Compared with Q1 2016, sales increase was not as high during the first quarter of 2017. Despite higher demand from customers, the sales increase was tempered by low availability of certain volume products. Combined with severe weather in southern Europe, this affected the supply of several products.

Partnership for reduced food waste

ICA Gruppen is taking a focused approach to reducing food waste. To cut back on the amount of food waste in stores, ICA Sweden has partnered with the organisation Food2change, which distributes food, that would otherwise have been discarded, to people with low incomes. The stores donate the food, and via a subscription with Food2change, these customers can pick up one or more bags of groceries every week from select stores. Through this partnership with Food2change, in one year a single ICA store can rescue 3,800 kg of food, according to a calculation based on historical data from Food2change, corresponding to around 30 tonnes of CO₂. This is as much carbon dioxide emitted by a car driving three laps around the world (130,000 km).

In addition, ICA Sweden was first grocery retailer to sign an agreement with Karma, which offers an app for the sale of food products that are nearing their "best before" date or would otherwise be difficult to sell, at very favourable prices. A pilot project is being started between Karma and two ICA retailers in the Stockholm area – ICA Nära Sveavägen and ICA Kvantum Liljeholmen.

ICA launches "Lunchbox day"

Approximately 70% of all food waste in Sweden arises in people's homes. One effective way to reduce such food waste is to use leftovers for lunchboxes. To focus attention on this, ICA Sweden held Matlådans dag ("Lunchbox day") on 23 March. The aim is to raise awareness about all of the home prepared meals that can be saved and eaten in people's lunchboxes instead of being thrown out.

New Group health target

ICA Gruppen has adopted a new Group target – by 2020 at the latest to be the actor in the market that consumers perceive as most clearly helping them make healthy choices. For ICA, health is a matter of helping customers and employees to live life in balance – a life in which we eat healthy and nutritional foods, exercise regularly, and dedicate time to well-being and relaxation. The target will be measured and monitored through customer surveys within ICA Sweden, Rimi Baltic and Apotek Hjärtat (NKI and Brand Equity).

Food of the future

One challenge that the food industry is facing entails meeting the needs of growing and increasingly urban populations with sustainable growth in animal proteins. During the quarter the first phase of a Vinnova funded project between ICA Sweden and Örebro University was concluded which aims to study the opportunities for sustainable, large scale food production in urban environments – by farming insects in special structures in cities. The goal of the next phase is to establish a pilot facility in which wasted produce from stores is used to feed insects, which in turn can be

used as animal fodder and high-nutrient plant fertiliser. The aim over time is to devise a scalable solution for the production of food from wasted produce as a way to contribute to less consumption of red meat – with the climate- and health benefits this entails – and supply the grocery retail industry with high-quality and high-demand food products. ICA Sweden and other collaboration partners are now seeking to continue the project with an additional grant from Vinnova, a Swedish government agency that distributes money for research and development.

More consumers choosing locally produced meats for the barbecue

ICA Sweden's annual "Grill report" notes that consumer preference for Swedish meats for the barbecue is a trend that shows no sign of abating. According to the survey, consumers are keen on supporting local farming and prefer locally raised meats and locally grown vegetables for the barbecue. Eight out of ten responded that they choose Swedish grown vegetables in order to support Swedish farming. Interest in grilling vegetables continues to grow, and more than half say that they will be laying more veggies on the grill this summer.

Web test for more healthy lifestyle

Three out of four people in Sweden say they want to make changes for a more healthy lifestyle. To get more people to reflect over their way of living, Apotek Hjärtat has launched Hälsokvittot ("Health receipt"), an all-encompassing health check that consumers perform online. The cost-free test has been devised by researchers at Linköping University and draws from the Swedish National Board of Health and Welfare's guidelines.

Visitors to apotekhartat.se can choose to complete the Lifestyle profile questionnaire or answer questions in more specific areas that take a closer look at areas such as physical activity, alcohol consumption, nutrition, use of tobacco, stress, mental health and sleeping patterns. After completing the test, respondents receive personalised feedback based on their answers along with concrete tips and tools for areas in which habits should be changed to achieve a healthier lifestyle.

"Choose with your Heart" rolled out at all pharmacies

During the quarter Apotek Hjärtat's Välj med Hjärtat ("Choose with your Heart") label was rolled out at all pharmacies. The label aims to help customers make sustainable choices of over-the-counter medicines as well as traded goods. More information on the label's criteria is available at apotekhartat.se.

Hemtex launches "Sustainable thread"

Hemtex has developed a new concept called Den hållbara tråden ("Sustainable thread") to highlight selected products that give extra consideration to people and the environment. The goal is to offer products that not only are durable, but which also contribute to a more sustainable world. During the quarter the first products to be offered under the concept were launched – an updated line of towels under the Living brand.

Training initiative in Thailand

To improve conditions for migrant workers at ICA Gruppen's suppliers, during the quarter a training initiative was conducted in Thailand in partnership with BSCI (Business Social Compliance Initiative) and other industry actors. During the two day training event, representatives from about ten of ICA Gruppen's suppliers participated in training in areas such as social responsibility, legal requirements and risk management.

Extended cooperation with LRF

In mid-December 2016, the cooperation between ICA Sweden and the Federation of Swedish Farmers (LRF) was extended. The purpose of the cooperation is to broaden the offering of Swedish products in stores, increase sales of Swedish foods, and contribute to the development and growth of Sweden's rural areas. Since the start of the cooperation in 2014, sales of Swedish-produced goods, mainly meat, processed meat and dairy products, have increased, while the investments also have resulted in better prices, especially for cattle farmers. In the future, the cooperation will be broadened to include fruit and vegetables.

Conducting climate-smart business

ICA Gruppen's operations to be climate-neutral by 2020

To contribute to the UN's goal of limiting Earth's temperature increase, ICA Gruppen has set an ambitious climate target – that its operations will be climate-neutral by 2020. This target pertains to ICA Gruppen's direct climate impact in all companies and includes the climate impact caused by its operations in stores, pharmacies, warehouses and offices, such as by refrigerants, electricity, goods transports and business travel in both the Swedish and Baltic operations. The goal is to be achieved by reducing climate-impacting emissions and through more efficient use of resources. The climate impact that cannot be eliminated in operations by 2020 will be addressed through offsets.

During the quarter, several important steps were taken to achieve reduced climate impact. In the Baltic operations, investments were made in renewable electricity for the operations where Rimi Baltic is responsible for the electricity contracts. This reduced greenhouse gas emissions by about 7,000 tonnes of CO₂e compared with the same quarter of 2016. The investments made by ICA Sweden's logistics operations in increased share of renewable fuels have also generated major emissions reductions – close to 7,000 tonnes of CO₂e compared with the same quarter last year.

In total, ICA Gruppen's greenhouse gas emissions decreased during the period April 2016 - March 2017 (rolling 12 months) by 36 (24) percent compared to the base year 2006.

Energy mapping of operations

During the quarter ICA Sweden signed an agreement to conduct statutory energy mappings of large parts of operations, including offices, warehouses, subsidiaries' stores, MAXI Special stores and pharmacies. The aim is to identify potential energy savings and efficiency improvement measures. The energy mapping work will be conducted from 2017 to 2019 and is a key tool in achieving the overall climate target.

Lights out during Earth Hour

On 25 March ICA Sweden participated in Earth Hour for the eighth year in a row. Façade lighting and other lighting at offices and warehouses – except for that needed for safety and operation – was turned off for an hour.

Climate-smart stores

The greatest climate affecting factor in ICA Gruppen is in its stores. Accordingly, the Group is focusing efforts on gradually changing over to renewable energy and refrigerants with a lower environmental impact, and by achieving energy efficiency improvements, such as by changing over to LED lighting and furnishing refrigerator and freezer displays with lids and doors.

Since 2010 ICA Sweden has been using natural refrigerants with the lowest possible climate impact in newly built stores. On 15 March the ICA Kvantum Nolgård store was opened in Hammarö. In addition to using natural refrigerants for its refrigeration and freezer systems, the store also uses a geothermal energy solution with ten boreholes to achieve transfer of heat and cold. The heat pump for this system also uses natural refrigerants. The air conditioning in the store uses state-of-the-art technology employing a heat recycling system and cooling extracted from the boreholes during the summer months.

Today more than 140 ICA stores use natural refrigerants.



Criticism and media debate

New alarm report on palm oil

ICA Gruppen has been engaged for several years in collaborative efforts to improve the production conditions for palm oil, which is associated with environmental and social problems. ICA Sweden has set a goal that all palm oil used in ICA's corporate brand food products shall be RSPO (Roundtable on Sustainable Palm Oil) certified, and today most of ICA Sweden's corporate brand products containing palm oil use RSPO certified segregated palm oil. For the small portion of products that do not use RSPO certified segregated palm oil, ICA's approach is to offset it through the purchase of RSPO Credits.

At the start of the year a new report was published asserting that some vegetable oils, primarily palm oil, may include carcinogens. ICA Gruppen takes this new information with utmost seriousness and is actively monitoring the issue via the trade organisation Svensk Dagligvaruhandel and the Swedish National Food Agency. At the end of the quarter no decision had yet been made by the EU regarding threshold values.

Awards and distinctions

High ranking in Sustainable Brand Index

ICA Sweden scored third place among all Swedish companies in the year's Sustainable Brand Index, and also first place among grocery retailers. ICA Bank also received the best ranking in its industry. Apotek Hjärtat scored a 12th place overall, and as the second best pharmacy chain. Hemtex scored a 141st place overall. The Sustainable Brand Index is the Nordic region's largest brand survey focusing on sustainability.

Hemtex on BCI's top ten list

The Better Cotton Initiative (BCI) has compiled a list of which brands in the world purchase the most Better Cotton. Hemtex earned a place on the list of the ten brands that buy the most Better Cotton in relation to their total use of cotton. BCI is dedicated to making large-scale cotton production more sustainable with respect to both environmental and social factors.

About this report

This is a quarterly status report containing information about ICA Gruppen's work on issues relating to sustainability. The report aims to show developments during the year and covers all companies within ICA Gruppen. The report has not been reviewed by the company's auditors.

The criteria applied for preparation of this report are based on the annual sustainability report published by ICA Gruppen. The quarterly report is not prepared in accordance with the GRI guidelines, and for this reason certain issues are omitted. ICA Gruppen publishes a complete sustainability report once a year in accordance with the GRI Guidelines, which provides an all-embracing description of the Group's sustainability work during the year.

For measurement and calculation methods, boundaries and materiality analysis, see:

https://www.icagruppen.se/en/rapportportal/annual-report-2016/#!#@sustainability-information_measurement-and-calculation-methods

<https://www.icagruppen.se/en/rapportportal/annual-report-2016/#!#@sustainability-information>

Contact and calendar

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Calendar:

16 August 2017 Sustainability report April–June 2017

About ICA Gruppen

ICA Gruppen AB (publ) is a leading retail company with a focus on food and health. The Group includes ICA Sweden and Rimi Baltic, which mainly conduct grocery retail, ICA Real Estate, which owns and manages properties, ICA Bank, which offers financial services, and Apotek Hjärtat, which conducts pharmacy operations. The Group also includes Hemtex. For more information see icagruppen.se.