

# Corporate governance report 2015



# Corporate Governance Report 2015

## Sustained and long-term growth is based on sound corporate governance

In the wake of the acquisition of Apotek Hjärtat and divestment of ICA Norway, the issues of consolidation, integration and continued development were a main focus of the Board of Directors in 2015. The recurring agenda items also of course included following up on the financial targets and strategic priorities we set earlier, and we saw stable and positive growth in both cases during the year.

One of the Board's most important tasks is to apply sound and appropriate corporate governance processes that create the necessary conditions for a healthy corporate culture to best help the Group and its operations develop. To facilitate this we have systems, routines and procedures in place to monitor targets, internal control and risk management.

The Board has performed its duties through formal Board meetings and in various committees. The fact that all Board members serve on at least one committee allows participation and continuity to be maintained between the formal meetings. I can once again report that the Board members are highly committed to their work. Our discussions have been constructive and characterised by openness, curiosity and – as before – a clear desire to see beyond the obvious. The latter is particularly important in a world undergoing rapid change and where the ability and capacity to think in new ways is a critical success factor.

When we take decisions on targets, strategies and special initiatives, we always look at the long-term perspective. To do this in the best possible way, we need knowledge and insights into day-to-day work and the changes and currents that are affecting and

driving the markets. It is fair to say that the pace of change is high at this time – with new players, a blurring of industry lines, changed consumer behaviour, and digitalisation impacting more and more areas. In an environment like this it is important to constantly evaluate the Board's composition and combined expertise. Over the past year we conducted an intensified evaluation of our composition, working methods and overall focus. In my opinion, the Board has a good mix of expertise and the recruitment of Jeanette Jäger as a new member of the Board has brought us additional IT skills.

In order to reap, we must sow. As a result of the structural changes we have made in recent years, we now have a platform that allows us to look forward and a financial position that enables us to continue to invest. We have no intention of sitting still; we are going to continue to develop ICA Gruppen emphasising long-term growth with good profitability. Our strong cash flow and healthy capital structure allow us to continue to invest and provide good and stable returns to our shareholders.

A company of our size and position has a responsibility to help promote sustainable development. Continuing to invest in sustainable development is one of our main strategic priorities. During the year we took the decision to make ICA Gruppen's operations climate neutral by 2020. This is both an inspiring and a challenging target that we hope will create value for customers, communities and us as an organisation. Sustainability work is a key priority for ICA Gruppen, and the Board is monitoring development carefully and with great interest.

One of the Board's tasks is to support members of the Management Team and to critically evaluate their work. To succeed in this there needs to be an open and constructive dialogue between the Board and the Management Team. From the Board's perspective, we feel that this is the case. I would therefore like to take this opportunity to thank Per Strömberg and the rest of the Management Team for excellent cooperation in 2015. I would also like to express our appreciation for the commitment that everyone throughout organisation has shown. It is both impressive and inspiring to see the energy and drive that permeates everyone's efforts. We are taking that with us as we enter a new financial year.

Stockholm, February 2016

Claes-Göran Sylvén  
Chairman of the Board

**A company of our size and position has a responsibility to help promote sustainable development.**

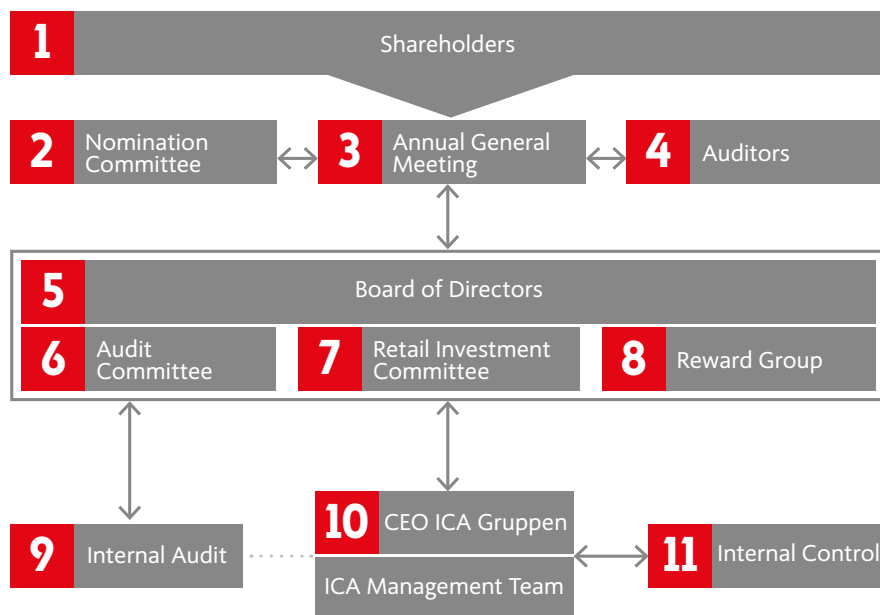


### For further information:

- Swedish Companies Act, [www.government.se](http://www.government.se)
- Nasdaq Stockholm, [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)
- Swedish Corporate Governance Code and specific Swedish regulations on corporate governance, [www.bolagsstyrning.se](http://www.bolagsstyrning.se)
- ICA Gruppen AB's Articles of Association, [www.icagruppen.se](http://www.icagruppen.se)

# Governance for value creation

Good corporate governance is about ensuring, on behalf of all the shareholders, that the Company is managed in a sustainable and responsible way and as efficiently as possible. The overall goal is to increase shareholder value and in so doing, meet the requirements owners have with respect to their invested capital. The main external and internal control instruments for ICA Gruppen (ICA Gruppen or the Company) are the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code, the Articles of Association adopted by the Annual General Meeting, the rules of procedure for the Board of Directors, the instructions for the Board committees, the instructions for the CEO, including instructions on financial reporting, and the policies established by the Board. ICA Gruppen's Board of Directors is responsible for the Company's organisational structure and the administration of the Company's affairs. The CEO is responsible for ensuring that the day-to-day administration of the Company is carried out in accordance with the Board's guidelines and instructions. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is responsible for providing the meetings with information documents and materials for use as a basis for decisions. The CEO also ensures that Board members receive information on ICA Gruppen's development so that they can reach well-founded decisions.



## 1 Shareholders

ICA Gruppen has been listed on Nasdaq Stockholm in the Large Cap segment since 8 December 2005. The largest shareholder is ICA-handlarnas Förbund with a holding of 51.3%. The second largest shareholder, AB Industrivärden, owns 10.5% and the rest of the shares were owned as of 31 December 2015 by 36,014 shareholders. As of that date, none of these shareholders held more than 10% of the shares in the Company, either directly or indirectly. In voting at general meetings each share carries entitlement to one vote and each person may vote for the full number of shares he/she represents.

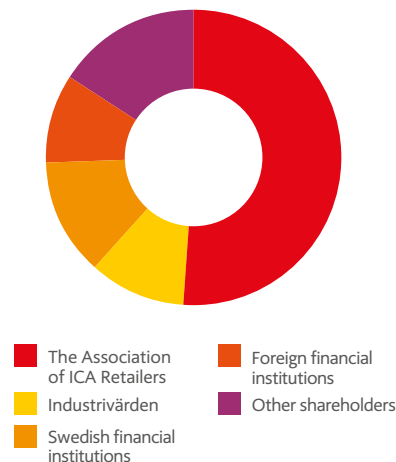
Up to 20 January 2016 the Company had a share structure with two classes of shares: ordinary shares and C shares. The C shares, which constituted 40.8% of the total number of shares, were unlisted and did not carry entitlement to cash dividends. The remain-

ing 59.2% were listed ordinary shares with dividend entitlement. On 20 January 2016 the C shares were converted into ordinary shares and as such carry entitlement to dividend at the Annual General Meeting 2016.

The share capital in ICA Gruppen amounts to SEK 502,866,988, distributed among 201,146,795 shares, each with a quota value of SEK 2.50. As of 31 December 2015 the Board of Directors had no outstanding authorisations from the Annual General Meeting for the Board to issue new shares or acquire treasury shares.

More information on ICA Gruppen's shares and shareholders can be found in the section "Shares and shareholders" on pages 72–73 and on the Company's website, icagruppen.se.

### Shareholders



# Nomination Committee

**2** The rules for ICA Gruppen's Nomination Committee were adopted at the 2015 Annual General Meeting. The Nomination Committee is to consist of four members representing the Company's shareholders. ICA Gruppen's Chairman is to be co-opted onto the Nomination Committee. Two of the members are nominated by the largest shareholder and two by the two next largest shareholders. The largest shareholders in terms of votes are to be determined based on the list of registered shareholders maintained by Euroclear Sweden AB as of the last trading day in August. If, during the Nomination Committee's term, one or more of the shareholders who have appointed members to the Committee are no longer among the three largest shareholders, the members appointed by such shareholders are to vacate their positions and the shareholder or shareholders who are now among the three largest shareholders are to appoint members. The Nomination Committee will present proposals regarding the following matters prior to the 2016 Annual General Meeting:

- (i) proposal on a chairman for the meeting,
- (ii) proposal on the members of the Board of Directors,

- (iii) proposal on the Chairman of the Board,
- (iv) proposal on Board fees, broken down into amounts for the Chairman of the Board and other Board members and as remuneration for committee work, and
- (v) proposal on an auditor or auditors and proposed fees to be paid to the Company's auditor.

### The work of the Nomination Committee

The composition of the Nomination Committee was announced on 25 September 2015. It consisted of representatives from the three largest shareholders: ICA-handlarnas Förbund (the Association of ICA Retailers), Industrivärden and Skandia Liv. After SEB Fonder increased its ownership, surpassing Skandia Liv as the third largest shareholder, Skandia Liv vacated its position and SEB Fonder was asked to appoint a member to the Nomination Committee. Following this adjustment, which was announced on 25 November 2015, the Nomination Committee consists of Claes Ottosson (ICA-handlarnas Förbund), Anna-Karin Liljeholm (ICA-handlarnas Förbund), Annika Lundius (Industrivärden) and Hans Ek (SEB Fonder). No fees were paid by ICA Gruppen to the members of the Nomination Committee for their work and the members have concluded that there is no conflict of interest that would

affect their assignment. The chairman of the Company's board, Claes-Göran Sylvén was co-opted onto the Nomination Committee. The Nomination Committee met with CEO Per Strömberg and CFO Sven Lindskog who, along with Claes-Göran Sylvén, provided information on ICA Gruppen's operations, Board work and focus areas. The Nomination Committee was also presented with the results of the 2015 evaluation of the Board. In addition, the chairman of the Audit Committee, Cecilia Daun Wennborg, reported to the Nomination Committee on the work of the Board, of the Audit Committee and of ICA Gruppen's Accounting department. The information provided to the Nomination Committee gave a sound basis for an assessment on whether the composition of the Board is satisfactory and on the type of expertise and experience needed on the Board. Shareholders with suggestions and points of view on the work of the Nomination Committee prior to the 2016 Annual General Meeting have been given an opportunity to submit their points of view to the Nomination Committee. The Nomination Committee's proposals for the 2016 Annual General Meeting are presented in the notice of the meeting and on the Company's website, icagruppen.se.

## Rules and regulations

### External rules

As a Swedish public limited company with securities listed on Nasdaq Stockholm, ICA Gruppen is, among other things, obliged to comply with the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code (the Code).

### Deviations from the Code, stock exchange rules or good stock market practice

The Company has deviated from rule 9.2 of the Code in respect of the Reward Group and the independence of its members in relation to the Company and management, in that Reward Group member Fredrik Hägglund is not deemed to be independent in relation to the Company and management – see section Independence of Board members. The reason for the deviation is the previous ownership structure (up to March 2013) when the Company owned 40% of the operating group, ICA AB. At the time Fredrik Hägglund was the General Counsel for the Company and a member of the Board of ICA AB. In those positions he gained considerable experience in establishing and defining remuneration principles for the management of ICA AB, i.e.

largely the same Management Team as the Company has today. He also has wide-ranging experience of remuneration in listed and unlisted companies. The Board has determined that Fredrik Hägglund brings necessary and valuable expertise to the Reward Group while continuity is being maintained.

Other than the above-mentioned deviation, there have been no other deviations from the Code or the stock exchange rules. The Company has not been the subject of a decision by the Nasdaq Stockholm Disciplinary Committee nor a decision on infringement of good practice in the stock market by Aktiemarknadsnämnden (the Swedish Securities Council).

### Internal rules

ICA Gruppen has a number of internal rules which, together with the external rules, provide a framework for its operations. The main rules are the Articles of Association, the rules of procedure for the Board of Directors and each committee, the instructions for the CEO including instructions on financial reporting, delegation arrangements and ICA's Good Business. In addition, the following fundamental policies are in place:

- Financial Policy
- Insurance Policy
- Guarantee Policy
- Information Policy
- Corporate Security Policy
- Legal Matters Policy
- Tax Policy

### ICA's Good Business

ICA Gruppen's internal rules and policies relating to ethics and social responsibility are brought together in ICA's Good Business. ICA's Good Business is designed to be applied practically in day-to-day operations. There are policies and associated guidelines to provide support and help with this. ICA's Good Business guidelines state that ICA will:

- be driven by profitability and high ethical standards
- listen to customers and always base decisions on their needs
- nurture diversity and growth among its employees
- maintain an open dialogue internally and with the community
- ensure quality and safe products
- promote a healthy lifestyle
- adopt sound environmental practices to promote sustainable development

### Governance of ICA Gruppen's sustainability work

The strategic direction for the Company's sustainability work is set by the Board of Directors and is managed through strategic planning and business planning processes. Ultimate responsibility for sustainability issues rests with ICA Gruppen's CEO.

For a number of years the companies in ICA Gruppen have been using selected key indicators in the areas of the health and safety, the environment, equality, human rights and quality. The Company publishes quarterly

# Annual General Meeting Auditor

**3** The general meeting of shareholders is ICA Gruppen's highest decision-making body. The general meeting that is held within six months of the end of the financial year and that adopts the income statement and balance sheet is known as the Annual General Meeting (AGM). ICA Gruppen's Annual General Meeting is normally held in the Stockholm area. In addition to resolutions on the adoption of the income statement and balance sheet, the Annual General Meeting also takes decisions on, among other things, the allocation of profits, the composition of ICA Gruppen's Board of Directors, fees for the Board and guidelines for remuneration to senior executives. The AGM also elects external auditors. General meetings are advertised in Post- och Inrikes Tidningar (the Official Swedish Gazette), Svenska Dagbladet, Dagens Nyheter and Dagens Industri, and on the Company's website, icagruppen.se. Shareholders who are registered in the share register five working days prior to a meeting and who have duly notified ICA Gruppen of their intention to attend are entitled to participate in the meeting, in person or by proxy, to vote at the meeting for or against the proposals presented and to pose questions to the Board of Directors and the CEO. Decisions at the AGM are normally taken by simple majority. In elections, the person

receiving the most votes is deemed elected. Certain decisions, such as on amendments to the Articles of Association, must be approved by a qualified majority.

## 2015 Annual General Meeting

The 2015 Annual General Meeting was held on Wednesday, 22 April 2015 at Ericsson Globe in Stockholm. In addition to shareholders, the meeting was attended by ICA Gruppen's Board of Directors, Management Team and employees, by media representatives and a number of invited guests. The minutes from the AGM and associated documents are available on ICA Gruppen's website, icagruppen.se.

## 2016 Annual General Meeting

The 2016 Annual General Meeting will be held on Wednesday, 20 April 2016 at Friends Arena in Solna. Shareholders who are registered in the share register (held by Euroclear Sweden AB) no later than Thursday, 14 April 2016 and have notified the Company of their intention to participate in the AGM are entitled to participate in the AGM, in person or by proxy.

reports on its sustainability work showing ongoing developments during the year. The report covers all the companies in the Group and where applicable, the portfolio companies. In addition, the Company publishes an annual sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines to provide an overall picture of its sustainability work. Read more about the Group's sustainability work on page 40 and forward and on the Company's website, www.icagruppen.se.

ICA Gruppen has a Business Ethics and Policies Committee (BEPC) tasked with developing and, if need be, monitoring the Company's application of ICA's Good Business. The Committee also suggests sustainability priorities and monitors ethical dilemmas, risks and public opinion. The Committee produces policies which are then submitted to the Management Team for approval. The Committee reports to the CEO, is interdepartmental, consists of representatives from the Company's central departments and is headed by the SVP Corporate Responsibility.

The Board of Directors conducts a review annually of ICA Gruppen's sustainability work as it relates to ICA's Good Business. The review involves an analysis of risk and ethical dilemmas and gaining a deeper understanding of specific identified areas. BEPC prepares the report, which is presented by the Company's SVP Corporate Responsibility.

All employees are responsible for ensuring that the Company is in compliance with external and internal rules, including ICA's Good Business. Employees are encouraged to report any irregularities in the Company's operations. Employees can report any issues to their immediate superior, to the safety officer or to the HR department. It is also possible to report issues through the Company's online whistleblower service or to the head of the Company's Internal Audit function. Issues can be reported to the whistleblower service anonymously. The status of individual employees is not negatively affected if they raise an issue.

ICA retailers, i.e. business owners operating ICA stores and thus not employed by ICA Gruppen, are responsible for ensuring that their business is in compliance with external and internal rules. The rules contain a specific set of rules called ICA's Good Business for Stores describing how ICA retailers are to behave under the ICA brand. The Company and ICA-handlarnas Förbund (the Association of ICA Retailers) have together created an accountability board tasked with addressing accountability matters relating to the commitments of the retailers as ICA retailers and their responsibilities pursuant to the statutes of ICA-handlarnas Förbund, including ICA's Good Business for Stores. The accountability board can issue reminders, warnings or expulsions.

# Auditor

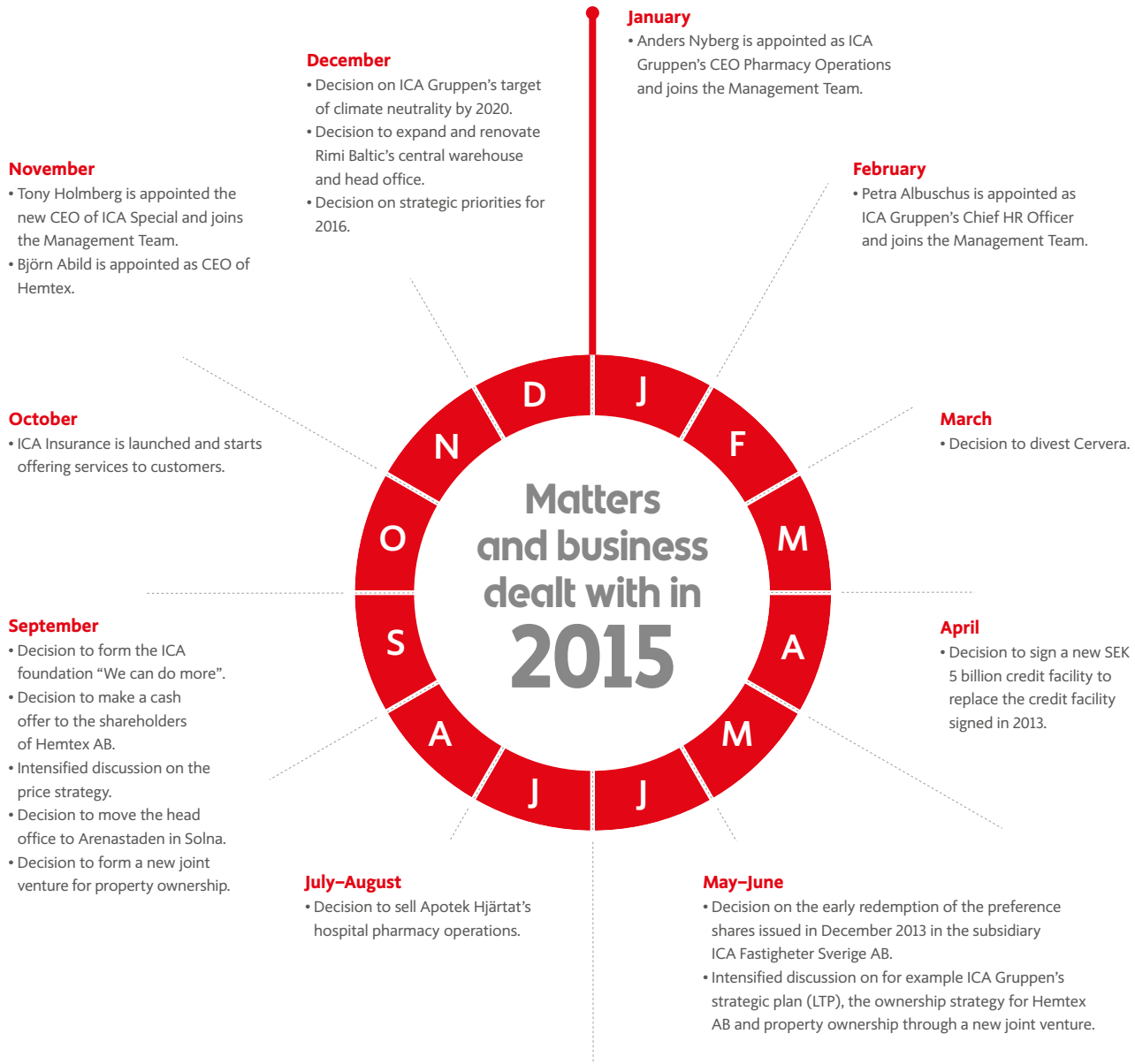
**4** According to the Articles of Association, the Annual General Meeting is to appoint a minimum of one and a maximum of two auditors, or one or two registered public accounting firms. The accounting firm Ernst & Young AB was elected auditor at the 2015 Annual General Meeting for a term of one year. Ernst & Young AB has therefore audited the Company's accounts for 2015 and authorised public accountant Erik Åström was the auditor in charge. The auditors have attended one Board meeting to present Ernst & Young AB's audit process for ICA Gruppen and to give Board members an opportunity to ask questions without management being present. In addition the auditors have attended all the meetings held by the Audit Committee.

# The Board of Directors

**5** The Board of Directors is responsible for establishing the Company's overall goals and strategies. The duties of the Board also include:

- appointing, evaluating and, if needed, dismissing the CEO and approving assignments which the CEO has outside the Company,
- establishing the requisite guidelines for how the Company is to act in the community to ensure its ability to create long-term value,
- ensuring that there are appropriate monitoring and control systems in place for the Company's operations and for the risks the Company faces associated with its operations,
- ensuring that there is satisfactory control of the Company's compliance with laws and other regulations that apply to the Company's operations, and ensuring the Company's compliance with internal guidelines, and
- ensuring that the Company's information procedures are correct, relevant, reliable and transparent.

According to the Articles of Association adopted at the 2013 Annual General Meeting, ICA Gruppen's Board of Directors is to consist of between five and ten members elected by the Annual General Meeting. There are no other rules in the Articles of Association concerning the appointment or dismissal of Board members. The present Board has ten AGM-elected members. The CEO makes presentations at Board meetings and the General Counsel is the secretary to the Board. In addition to the Board members elected by the AMG, the Board has two employee representatives, each with a deputy. Prior to the 2015 AGM the Board consisted of nine Board members elected by the AGM and all of these were re-elected at the 2015 AGM. In addition, Jeanette Jäger was elected as a new Board member in 2015. Following the 2015 AGM the Board consisted of three women and nine men. The



**Board committees**

ICA Gruppen's Board has three regular committees: the Audit Committee, the Reward Group and the Retail Investment Committee. The committees report to the Board on a regular basis on their work. The committees are to be regarded as the Board's working committees and do not assume the responsibility that is incumbent upon the Board as a whole.

**Audit Committee**

**6** The Audit Committee's tasks are to supervise the Company's accounting and financial reporting, and to monitor the effectiveness of the Company's internal control, internal audit, risk management and compliance with rules and regulations. The Audit Committee must also keep itself informed concerning the audit of ICA Gruppen and must review and monitor the impartiality and independence of the audit. The Audit Committee assists with the preparation of proposals to the Annual General Meeting concerning the election of auditors. In 2015 the Audit Committee consisted of Cecilia Daun Wennborg (chairman), Bengt Kjell, Göran Blomberg and Magnus Moberg. Matters are presented by the Company's CFO.

Board is made up of individuals with extensive and substantial expertise of ICA, retail, business development, IT, corporate finance, corporate governance, sustainability work and commercial issues.

### Independence of Board members

Four of the Board's members, Cecilia Daun Wennborg, Jan Olofsson, Jeanette Jäger and Andrea Gisle Joosen, are independent in relation to ICA Gruppen, its management and the largest shareholders. Bengt Kjell is independent in relation to ICA Gruppen and its management but not in relation to the Company's principal shareholders as he is board member in AB Industrivärden. Peter Berlin and Magnus Moberg are ICA retailers and members of the board of ICA-handlarnas Förbund. ICA-handlarnas Förbund (the Association of ICA Retailers) is a non-profit association for Sweden's ICA retailers. According to Nasdaq Stockholm's Rule Book for Issuers and the Code's rules on independence of Board Members, Peter Berlin and Magnus Moberg are independent in relation to ICA Gruppen and the Company's management, but not in relation to the principal shareholder ICA-handlarnas Förbund. Magnus Moberg and Peter Berlin have each been involved in establishing ICA stores. In conjunction with the establishment of a ICA store, ICA Sverige AB (a subsidiary of ICA Gruppen) may provide a financing solution to the ICA retailer. Magnus Moberg and Peter Berlin were each party to such a financing solution. This does not affect their independence in relation to the Company or their membership of ICA-handlarnas Förbund, and thus does not affect their independence in relation to ICA Gruppen. Up to 20 May 2013, Claes-Göran Sylvén, Fredrik Hägglund and Göran Blomberg were members of the Company's Management Team. Accordingly, under the Code they are not considered independent in relation to the Company and its management. As employees of ICA-handlarnas Förbund since 20 May 2013, Fredrik Hägglund and Göran Blomberg are not considered independent in relation to the Company's principal shareholder ICA-handlarnas Förbund either. Claes-Göran Sylvén was employed as CEO of ICA-handlarnas Förbund but left this position on 31 January 2014. In his capacity as an ICA retailer and member of ICA-handlarnas Förbund, however, he is still not regarded as independent in relation to ICA-handlarnas Förbund.

### Retail Investment Committee

**7** The Retail Investment Committee's main tasks are to review and quality assure the documentary basis for decisions on acquisitions and divestments, to recommend decisions and to ensure compliance with ICA Gruppen's Investment Policy. In addition, the Retail Investment Committee has an investment and divestment mandate as set out in the Company's delegation arrangements. In 2015 the Retail Investment Committee consisted of Claes-Göran Sylvén (chairman), Jan Olofsson, Jeanette Jäger and Peter Berlin.

### The work of the Board

The main mission of the Board of Directors is to establish the Company's overall goals and strategies. The key issues for the Board to address are strategy work, monitoring and controlling the Company's operations and risks, value creation and monitoring the Company's compliance with external and internal rules and regulations. With regards to monitoring and controlling the Company's risks this is further developed in section "Risk and risk management" on page 16. The Board's monitoring and controlling of the Company's compliance with external and internal rules and regulations is inter alia implemented by the risk-based audits performed by Internal Audit, see below section "Internal Audit". The Board is guided in its work by the Chairman. Work processes are determined by the rules of procedure established by the Board each year, and by applicable laws and regulations. Every year the Board also decides on instructions for the CEO and for the Board's working committees, as well as other policy documents that provide guidance for ICA Gruppen's employees. The rules of procedure and instructions now in place were discussed and formally adopted at the Board meeting on 1–2 June 2015. In the 2015 financial year the Board of Directors met 10 times.

### Conflicts of interest

ICA Gruppen's Board of Directors has decided that the CEO and the Board members must not deal with matters relating to agreements between themselves and the Company or matters between the Company and third parties if the person in question has a significant interest that could conflict with the Company's interests.

### 9 Internal Audit

The Company has created an independent and objective Internal Audit function that works according to instructions from the Board and reports to the Audit Committee. Internal Audit examines corporate governance, risk management, and management and control of ICA Gruppen's business processes. The mandate of the Internal Audit function covers all operations within ICA Gruppen in Sweden and the Baltic Countries. Each year the Audit Committee draws up a risk-based plan for Internal Audit work to ensure that it focuses on the areas where most value can be added to ICA Gruppen. In 2015 Internal Audit's work included examin-

ing the ongoing programme of change within ICA Sweden, ICA Bank, ICA Insurance, the pharmacy operations, IT and personal data. Store audits constitute a special area within the review of business processes. The observations and recommendations made by Internal Audit aim to reduce the level of risk within a business area as well as to increase efficiency and improve ICA Gruppen's processes. It is the responsibility of the respective management team to put in place appropriate action plans based on the recommendations made by Internal Audit. An important aspect of Internal Audit's work is to review the established action plans quarterly. Internal Audit reports quarterly to ICA Gruppen's Audit Committee, which in turn reports to the Board. This reporting covers the audit work carried out over the past quarter and the status of the action plans. Internal Audit also prepares a report annually which is presented to the Board.

### Evaluation of the Board of Directors

An evaluation of the Board of Directors is carried out every year in order to develop the work of the Board and provide a basis for the Nomination Committee's evaluation of the Board's composition. The evaluation of the Board in 2015 was carried out by Board members completing a questionnaire. Their responses were then compiled into a report that was remitted to the Board. The evaluation showed that the Board functioned very well and that considerations from the valuation performed 2014 have been taken into account but that there is room for some improvement. The evaluation further showed that the Board is a well-composed group of highly committed individuals and that each of the members contributes broad expertise and many years' experience in various areas that are relevant to ICA Gruppen's operations.

### Remuneration to the Board of Directors

The Nomination Committee submits proposals to the Annual General Meeting for resolutions on Board fees. The 2015 Annual General Meeting approved the Nomination Committee's proposal concerning fees. Information on Board fees in 2015 can be found in Group Notes, Note 4 on pages 87–89 and on pages 64–65. The Nomination Committee's remuneration proposals for the 2016 Annual General Meeting are presented in the notice of the meeting.

### Reward Group

**8** The Reward Group is responsible for the preparation and evaluation of issues regarding remuneration and other terms of employment for the Management Team, including pay structures, pension plans, incentive programmes and other terms of employment. The committee also monitors and evaluates the variable remuneration arrangements for the Management Team that are ongoing or were concluded during the year, and monitors and assesses the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting, as well as current pay structures and remuneration levels within the Company. In 2015 the Reward Group consisted of Claes-Göran Sylvén (chairman), Andrea Gisle Joosen and Fredrik Hägglund.

# ICA Gruppen's Board of Directors



	Claes-Göran Sylvén	Peter Berlin	Göran Blomberg	Cecilia Daun Wennborg	Andrea Gisle Joosen	Fredrik Hägglund
<b>Born</b>	1959	1960	1962	1963	1964	1967
<b>Education</b>	Studies in finance and business (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Master of Science in Business and Economics	Master of Science in Business and Economics	Master of Science in Business and Economics, Cand. Merc.	Bachelor of Laws
<b>Elected</b>	2013	2011	2013	2005	2010	2013
<b>Other significant assignments</b>	Chairman of the Board MQ Holding AB, board member Centrum Fastigheter i Norrtälje AB, Svensk Handel, etc. ICA retailer, ICA Kvantum Flygfyren in Norrtälje.	Chairman of the Board ICA-handlarnas Förbund, etc. Board member Hyllie Mat AB and Grobladet AB. CEO, Hyllie Mat AB. ICA retailer, ICA Kvantum Emporia in Malmö.	Chairman of the Board Retail Finance Europe AB and board member Hakon Media AB, Expandia Modular AB etc.; CFO ICA-handlarnas Förbund.	Chairman of the Board Proffice AB, board member Getinge AB, Loomis AB, Sophiahemmet AB, Oxfarm Sverige m.fl.	Chairman of the Board Teknikmagasinet AB, board member Dixons Carphone plc, BillerudKorsnäs AB, Mr Green & Co AB and James Hardie Industries plc.	Board member EuroCommerce, Independent Retail Europe, etc. CEO ICA-handlarnas Förbund.
<b>Previous significant positions</b>	Chairman of the Board ICA AB. CEO Hakon Invest AB (publ) and ICA-handlarnas Förbund.	Chairman of the Board Sandby Livs AB. Board member Erfa Gruppen AB and ICA AB. CEO Erfa gruppen AB and Sandby Livs AB.	Board member ICA AB, Rindi Energi AB, etc. CFO Hakon Invest AB, RNB Retail and Brands AB, Portwear AB and Pronyx AB.	Vice President Ambea AB. President and CFO Carema Vård and Omsorg Aktiebolag. Acting CEO Skandia-banken. Head of Skandia Sweden and CEO Skandia-Link Livförsäkrings AB.	Board member Lighthouse Group AB and Elektronikbranschen Sverige m.fl. CEO Boxer TV Access AB, CEO Panasonic Nordic AB, CEO Chantelle AB.	Board member ICA AB and the Swedish Anti-Corruption Institute. Vice President and Legal Counsel ICA-handlarnas Förbund. Legal Counsel Hakon Invest AB. Lawyer, Clifford Chance, Brussels. Assistant Lawyer, Linklaters.
<b>Total remuneration in 2015, SEK</b>	1,100,000.00	400,000.00	435,000.00	520,000.00	400,000.00	400,000.00
<b>Independence</b>	Not independent in relation to the Company, its management and the Company's principal shareholder.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholder.	Not independent in relation to the Company, its management and the Company's principal shareholder.	Independent in relation to the Company, its management and the Company's principal shareholder.	Independent in relation to the Company, its management and the Company's principal shareholder.	Not independent in relation to the Company, its management and the Company's principal shareholder.
<b>Shareholding</b>	657,889 shares (incl. related parties)	141,680 shares (incl. related parties)	11,000 shares (incl. related parties)	3,125 shares (incl. related parties)	1,780 shares (incl. related parties)	15,367 shares (incl. related parties)
<b>Committees</b>	Member of the Reward Group (chairman) and the Retail Investment Committee (chairman)	Member of the Retail Investment Committee	Member of the Audit Committee	Member of the Audit Committee (chairman)	Member of the Reward Group	Member of the Reward Group
<b>Attendance at board meetings</b>	10/10	8/10	9/10	10/10	10/10	10/10
<b>Attendance at Audit Committee meetings</b>	-	-	4/4	4/4	-	-
<b>Attendance at Reward Group meetings</b>	6/6	-	-	-	6/6	5/6
<b>Attendance at Retail Investment Committee meetings</b>	10/10	6/10	-	-	-	-





Jeanette Jäger	Bengt Kjell	Magnus Moberg	Jan Olofsson	Jonathon Clarke	Magnus Rehn	Ann Lindh
1969	1954	1966	1948	1968	1966	Deputy member Employee representative Unionen
Master of Science in Business and Economics	Master of Science in Business and Economics	Studies in finance and business (finance, business management, leadership development etc.)	Master of Science in Business and Economics	Trained welder, studies in labour law	Upper secondary school	<b>Born:</b> 1964 <b>Education:</b> Upper secondary school <b>Appointed:</b> 2013 <b>Previous significant positions:</b> Employee representative ICA AB. <b>Total remuneration 2015:</b> SEK – <b>Independent:</b> – <b>Shareholding:</b> 0 (incl. related parties) <b>Attendance at board meetings:</b> 5 of 10 <b>Attendance at Audit Committee meetings:</b> – <b>Attendance at Reward Group meetings:</b> – <b>Attendance at Retail Investment Committee Meetings:</b> –
2015	2013	2008	2005	2013	2013	
Head of Marketing and Communications, Tieto.	Chairman of the Board Hemfosa Fastigheter AB (publ) and SSAB. Board member AB Industrivärden, Indutrade AB and Pandox AB etc.	Chairman of the Board Nya Ulfmag AB. Board member ICA-handlarnas Förbund, Jomag AB, Storbütiken i Falköping AB, etc. CEO Storbütiken i Falköping AB. ICA retailer, ICA Maxi Falköping.	Chairman of the Board Init AB and Korshags Food AB. Board member and CEO Kabinettet Aktiebolag.	Employee representative, ICA AB.	Employee representative, ICA AB.	
VP Financial Services Global Tieto, VP Capital Markets Global Tieto, Product and Market Director Tieto, TDC, CEO Inne AB, Marketing Director, Paynova AB. Formerly board member, SeeCity AB and mentor for Womentor.	Chairman of the Board Kungsleden AB and Skånska Byggarvar Group AB. Board member Höganäs AB, Skanska AB, Munters AB, Össur Hf, Fermenta AB, Byggnadsfirman Wallenstam AB, Bonifazius AB, Gandalf AB, Helsingborgs Dagblad AB, AB Handel och Industri, Nordic Tankers Holding AB, Plastal Industri AB, Hoist International AB, etc. Acting CEO AB Industrivärden, CEO AB Handel och Industri, Deputy CEO, Industrivärden, Senior Partner, Navet Affärsutveckling AB. Head of Corporate Finance, Securum AB.	Chairman of the Board Köpet i Sandared AB. Board member Moberg & Svensson i Sandared AB and Ulfmag AB.	Chairman of the Board Arkitektkopia AB, Silva AB, Printley AB and Bindomatic AB. Board member MultiQ International AB and Koneo AB. Head of M&A and Deputy Head of Corporate Finance, Handelsbanken Capital Markets. Deputy CEO and Vice President Esselte AB.	Employee representative, ICA AB.	Employee representative, ICA AB.	
400,000.00	435,000.00	435,000.00	400,000.00	–	–	
Independent in relation to the Company, its management and the Company's principal shareholder.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholder.	Independent in relation to the Company and its management, but not in relation to the Company's principal shareholder.	Independent in relation to the Company, its management and the Company's principal shareholder.	–	–	
300 shares (incl. related parties)	1,000 shares (incl. related parties)	45,000 shares (incl. related parties)	3,000 shares (incl. related parties)	0 shares (incl. related parties)	250 shares (incl. related parties)	
Member of the Retail Investment Committee	Member of the Audit Committee	Member of the Audit Committee	Member of the Retail Investment Committee			
8/10	8/10	9/10	10/10	9/10	10/10	
–	2/4	3/4	–	–	–	
–	–	–	–	–	–	
6/10*	–	–	10/10	–	–	

\* Elected to the Board at the 2015 Annual General Meeting and has since then attended all Board meetings and six out of seven Retail Investment Committee meetings.

# CEO and Management Team

**10 CEO** CEO Per Strömberg is responsible for the day-to-day administration of the Company in accordance with the guidelines and instructions issued by the Board. In dialogue with the Chairman of the Board, the CEO also compiles an agenda for Board meetings and is responsible for providing the meetings with information documents and material as a basis for decisions. In addition, the CEO must ensure that the members of the Board receive information on ICA Gruppen's performance in order that they may make well-founded decisions. The Board has approved Per Strömberg's significant assignments and financial commitments outside the Company, such as his positions as Industrial advisor to Segulah Advisor AB and board member of Childhood Foundation and En Frisk Generation. The CEO has no significant shareholdings or proprietary involvement in companies with which the Company has significant business ties. An evaluation of the CEO was carried out by the Board in 2015 without the CEO and management being present.

## ICA Management Team

Alongside CEO Per Strömberg, the members of ICA Gruppen's Management Team (IMT) are the CFO (Chief Financial Officer), CHRO (Chief HR Officer), CSO (Chief Strategy Officer), CCO (Chief Corporate Communication Officer) and the CEOs of ICA Sweden (also being Deputy CEO of ICA Gruppen), Apotek Hjärtat, Rimi Baltic, ICA Real Estate, ICA Bank and ICA Special. The IMT meets regularly to discuss matters relating to, for example, corporate governance, reporting and strategy. In addition, the IMT prepares information on matters where the rules of procedure state that a decision by the Board is required, and assists the CEO in executing decisions made by the Board.

In addition to their collective responsibility for the management of the Company, each member of the IMT bears individual responsibility for his or her respective area of the Company. To support the IMT's work the IMT has set up four committees: the Reward Group, the Business Ethics and Policies Committee, the Retail Investment Committee and the Group Risk Management Committee. Furthermore, separate meetings are held on a regular basis for an update on internal audit matters (IMT Audit update) at which all IMT members are present. At the beginning of each financial year the IMT assesses its work, focusing on the quality of decisions, agendas, the meeting structure, effectiveness and the IMT's overall performance.

## Central departments

The Company has 11 central functions: Corporate Communication, Strategy & Business Development, HR & ICA School, Legal, Corporate Security, Group Risk Management, Accounting, Internal Control, Treasury & Tax, Group IT and Internal Audit.

## Remuneration to senior executives Guidelines 2015

The Company's guidelines for remuneration to senior executives, adopted at the 2015 Annual General Meeting, state that the remuneration packages are to be in line with market terms for senior executives in similar sectors and are aimed at recruiting, developing and retaining senior executives with relevant experience and expert leadership qualities. The remuneration principles are also to motivate senior executives to enhance the Group's market position and earnings, and are to be linked to long-term growth in shareholder value. In addition, variable remuneration is to be linked to quantifiable criteria set in advance. The levels of remuneration paid to senior executives in related industries and markets is continually monitored and assessed. The total remuneration is to comprise the following components: basic salary, pension benefits, bonus, other remuneration and benefits, and severance pay. The 2015 AGM also decided to authorise the Board to make decisions regarding a share investment programme for 2015 under which the senior executives are expected to invest a certain portion of their gross salary in shares in the Company.

### • Basic salary

The basic salary is to be on market terms and based on skills, responsibility and performance.

### • Pensions

For the CEO and other senior executives a defined contribution pension plan is to be applied, with pension premiums amounting to a maximum of 35% of pensionable salary, paid as long as the individual is employed. Senior executives employed in a country other than Sweden have pension agreements in line with national norms and that follow the principles described above.

A few senior executives with contracts signed previously are entitled to retire at the age of 62 with a defined benefit pension plan for the period until the normal retirement age of 65.

### • Bonus

The CEO and other senior executives in the Company are covered by two variable remuneration schemes taking the form of a cash bonus, one of which runs for one year (Annual bonus programme) and the other

for three years (Long-term bonus programme). The size of the combined bonus is maximised per person and year at the equivalent of 59% of annual salary (118% for the CEO). The bonus is not pensionable. Payment of bonus is to be contingent upon the participants' employment not being terminated during the term of the programme. The Board of Directors has the right to adjust the bonus system in the case of, for example, extraordinary increases or decreases in the Group's earnings.

### – Annual bonus programme

A cash-based bonus programme linked to the budget for each financial year and maximised at 27% of annual salary (54% for the CEO). The targets for the bonus programme are determined by the Board of Directors ahead of each financial year and individual bonus agreements are to be signed with each participant. The content of the agreements depends on the participant's position at the time of signing. The targets must be objectively quantifiable and related to the budget.

### – Long-term bonus programme

A cash-based, three-year bonus programme linked to value creation within the Group and maximised at 32% of annual salary (64% for the CEO). The targets for the bonus programme must be objectively quantifiable and determined by the Board, and must be linked to both absolute and relative performance criteria. Fulfilment of the absolute performance criteria accounts for 60% of the maximum outcome and the relative performance criteria for the remaining 40%.

### • Share investment programme

For the purpose of increasing the senior executives' identification with and interest in the Company and its value growth, the Board is to make a decision annually according to which the senior executives are expected to invest a certain portion of their fixed gross salary in shares in the Company.

The CEO and senior executives were expected to acquire shares in the Company, during a period established by the Reward Group as the day after the Annual General Meeting until the end of 2015, to acquire shares in the Company for an amount of between 5% and 10% of their fixed gross salary for the financial year. Shares already held are not to be included in the calculation. Acquired shares are to be held for the entire period the executives are employed by the Group.

Twelve months after the shares in the Company are acquired as described above, the executives will receive a net sum from the Company equivalent to

50% of their investment, on condition that all of the following criteria are met:

- (i) the executive is still employed by the Group (period of notice of termination does not count as employment),
- (ii) the executive still holds all of the acquired shares, and
- (iii) the threshold of at least 50% of the outcome of the Annual bonus programme for the investment year in question has been achieved.

• **Notice of termination and terms of severance pay**

A mutual notice period of six (6) months is to apply to senior executives. Severance pay to senior executives is to be paid at up to 12 months of basic cash salary if the Company terminates employment. Severance pay is deductible. If the executive terminates employment and the Company decides to apply a non-competition clause which has been agreed upon in certain cases, the Company will provide compensation during the period the non-competition clause applies at a maximum amount of 60% of basic salary. Severance pay and compensation paid during the non-competition period will not be pensionable.

There are exceptions to the notice period, severance pay and deduction clause in a few agreements entered into before the 2015 Annual General Meeting.

• **Other remuneration and benefits**

Other remuneration and benefits are to be of limited value in relation to the total remuneration and are to be in line with market norms.

• **Special circumstances**

The Board has the right to deviate from the guidelines proposed above if there is particular reason to do so. On the following occasions the Board deviated from the guidelines because of special circumstances:

In view of the acquisition of Apotek Hjärtat and the appointment of the CEO of Apotek Hjärtat to senior executive it was decided that the CEO of Apotek Hjärtat should be included in ICA Gruppen's ongoing Long-term incentive programmes on a pro rata basis in respect of the period since the CEO of Apotek Hjärtat became a senior executive at ICA Gruppen. The CEO of Apotek Hjärtat thus benefits from 1/3 of the Long-term incentive programme for 2013–2015, 2/3 of the Long-term incentive programme for 2014–2016 and the entire Long-term incentive programme for 2015–2017.

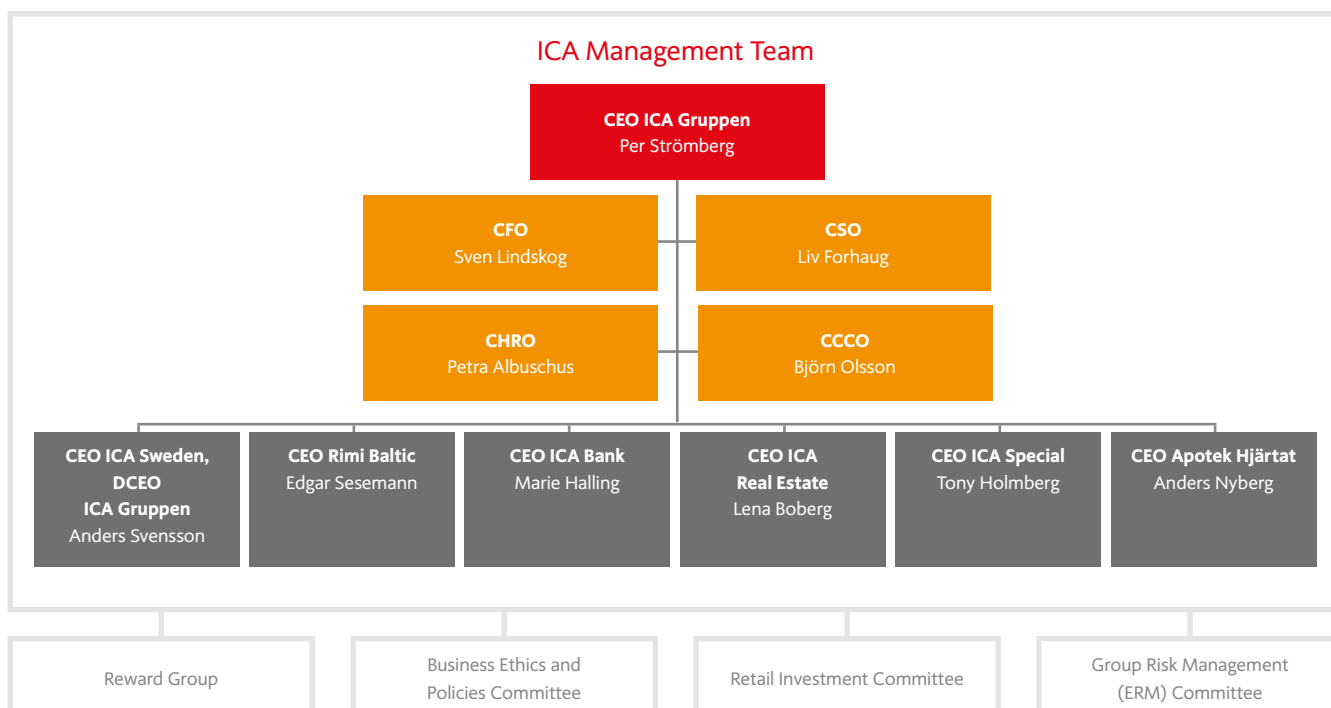
According to the employment agreement for the CEO of Apotek Hjärtat that was in effect at the time of the acquisition of Apotek Hjärtat and that still is in effect the CEO of Apotek Hjärtat has pension benefits in accordance with ITP1. This means that his bonus, as oppose to bonus to other senior executives, is pensionable.

**Proposal to the 2016 Annual General Meeting**

The Board of Directors proposes to the 2016 Annual General Meeting that the principles described above shall, with minor adjustments, be adopted again. The Board's proposed guidelines are presented in full in the notice to the Annual General Meeting.

**Further information**

More information on fixed and variable remuneration is available on the Company's website, in the Board's account of the Reward Group's evaluation according to item 9.1 of the Swedish Corporate Governance Code, in the notice to the Annual General Meeting and in Group Notes, Note 4.



# ICA Gruppen's Management Team (IMT)



	<b>Per Strömberg</b>	<b>Petra Albuschus</b>	<b>Lena Boberg</b>	<b>Liv Forhaug</b>	<b>Marie Halling</b>
	CEO ICA Gruppen AB. Employed at ICA and member of IMT since 2012.	Chief HR Officer (CHRO) ICA Gruppen AB. Employed at ICA since 2008 and member of IMT since 2015.	CEO ICA Real Estate. Employed at ICA since 2007 and member of IMT since 2010.	Chief Strategy Officer (CSO) ICA Gruppen AB. Employed at ICA and member of IMT since 2013.	CEO ICA Bank. Employed at ICA and member of ICA's Management Team since 2014.
<b>Born</b>	1963	1968	1970	1970	1963
<b>Education</b>	Master of Science in Business and Economics	Master of Science in Engineering	Master of Science in Business and Economics	Master of Science in Business and Economics	Master of Law
<b>Other assignments</b>	Industrial advisor to Segulah Advisor AB. Board member-Childhood Foundation and En Frisk Generation.	Board member Electra Gruppen AB	-	Board member Thule Group AB and Hufvudstaden AB.	-
<b>Experience</b>	President and CEO Lantmännen (2007–2012) and Sardus AB (2006–2007). Kraft Foods (1988–2006) including Managing Director Kraft Foods Sweden, Managing Director Kraft Foods Denmark, Business Development Director, Kraft Foods International, London and various positions at Kraft Freia Marabou in Sweden.	SVP Logistics, ICA Sverige (2008–2015). Procter & Gamble Nordic (1993–1998, 2005–2008), Procter & Gamble UK (1998–2001), Procter & Gamble ETC Belgium (2001–2005), inter alia as Director of Logistics, Nordic.	CFO ICA Real Estate (2007–2011) and Skandrenting AB (1999–2007). Project Manager and Consultant, Knowit AB (1999). Financial Manager Hagströmer & Qviberg Fondkommission AB 1996–1998. Financial Manager Nordien System AB 1995.	Partner and head of the retail sector in Scandinavia, McKinsey & Company (2006–2013). Project Manager and Consultant, McKinsey & Company (1996–2005). Worked in Sweden, elsewhere in Europe and in the US.	Swedbank (2005–2014), including head of the Eastern region and member of Swedbank's Group Executive Committee, head of Retail Banking and Private Banking. FöreningsSparbanken (1996–2005), including head of Corporate Banking FöreningsSparbanken Stockholm.
<b>Shareholding</b>	10,820 shares (incl. related parties)	800 shares (incl. related parties)	1,204 shares (incl. related parties)	3,700 shares (incl. related parties)	2,000 shares (incl. related parties)

## Individuals who left ICA Gruppen's Management Team in 2015

### Björn Abild

CEO ICA Special. Employed at ICA and member of IMT 2009–2015.

**Born:** 1955

**Education:** Master of Science in Business and Economics

**Experience:** CEO Expert Sverige AB (2004–2009), Team Sportia AB (2001–2004), Dagab Närlivs AB (1998–2001). Marketing and Sales Director Sardus AB (1996–1998) and Bergendahl Grossist AB (1993–1996).

### Stein Petter Ski

SVP Portfolio Companies, ICA Gruppen AB. Employed at ICA Gruppen (Hakon Invest) and member of IMT 2005–2015.

**Born:** 1967

**Education:** University degree focusing on Economics and Politics, University of York, UK.

**Experience:** Partner ABG Sundal Collier specialising in Corporate Finance (2003–2005). Worked at Ministry of Enterprise, Energy and Communications/Swedcarrier (2001–2003) and before that various positions at Enskilda Securities (1989–2001).



Tony Holmberg	Sven Lindskog	Anders Nyberg	Björn Olsson	Edgar Sesemann	Anders Svensson
CEO ICA Special. Employed at ICA since 1991 and member of IMT since 2016.	CFO ICA Gruppen AB. Employed at ICA and member of IMT since 2014.	CEO Apotek Hjärtat. Employed at ICA and member of IMT since 2015.	Chief Corporate Communication Officer (CCCO) ICA Gruppen AB. Employed at ICA since 2004 and member of IMT since 2009.	CEO Rimi Baltic. Employed at ICA since 1999 and member of IMT since 2008.	CEO ICA Sweden. DCEO ICA Gruppen. Employed at ICA and member of IMT since 2009.
1971	1963	1956	1971	1961	1964
Completed management and finance courses at INSEAD Business School, IHM Business School, internally at ICA, etc.	Master of Science in Business and Economics	Studies in business and finance, Stockholm University	Master's degree in Political Science, Economics and Commercial Law	Diploma in Market Economics	Master of Science in Business and Economics
-	-	Chairman of the Board Sveriges Apoteksförening.	-	-	Chairman of the Board, Svensk Dagligvaruhandel Ekonomisk Förening (Swedish Grocery Trade Federation). Deputy chairman Svensk Handel (Swedish Trade Federation) and Svenskt Näringsliv (Confederation of Swedish Enterprise).
SVP Sales & Operations, ICA Sweden (2010–2015), Rimi Baltic as Country Manager for Rimi Lithuania, etc. (2008–2010), Business Development Manager, Market department ICA AB (2007–2008). Format Director ICA Kvantum and other ICA assignments (1991–2007).	CFO Höganäs Group (2007–2014). CFO Sardus Group (2006–2007). CFO Unilever Nordic (2005–2006). Other senior positions at Unilever Nordic (1998–2004). Unilever global head office, Holland (1996–1998). Unilever Hungary (1994–1996). Unilever Sweden (1989–1993).	Deputy CEO, ICA AB (2006–2008) and Axfood (2001–2005). ICA (1992–2000); Deputy CEO ICA Sweden, Senior Vice President Strategy & Business Development, CEO ICA Öst. Åhléns (1988–1992), Regional Manager/Marketing Manager Livs.	Head of Media Relations/Acting Head of Communication, Svensk Handel (Swedish Trade Federation) (2000–2003).	ICA including CEO Rimi Estonia, Sourcing Director ICA AB, ICA Sverige AB and ICA Handlarnas AB. Business Unit Director Grocery KF Stormarknader (1992–1998). Category Director B&W Stormarknader (1990–1992). Department Manager B&W Falkenberg and B&W Täby (1996–1990).	Positions at Arla (2002–2009) including Senior Vice President Arla Foods Consumer Nordic and Managing Director, Arla Foods Sweden. Procter & Gamble Nordic and Procter & Gamble UK (1993–2002) inter alia as Director of Logistics, Nordic, and Sales Director, Sweden. Consultant, Andersen Consulting (1988–1993).
5000 shares (incl. related parties)	1,400 shares (incl. related parties)	6,200 shares (incl. related parties)	1,212 shares (incl. related parties)	2,000 shares (incl. related parties)	2,950 shares (incl. related parties)

### Åsa Gabriel

SVP HR & ICA School, ICA Gruppen AB. Employed at ICA since 2004 and member of IMT 2008–2015.

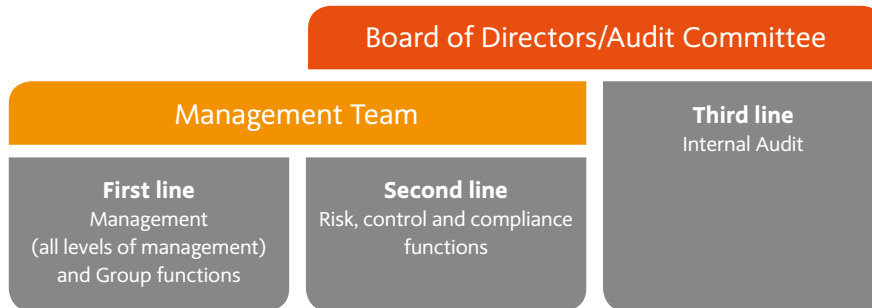
**Född:** 1959

**Utbildning:** Master of Science in Business and Economics

**Erfarenhet:** CEO Twilfit AB (2002–2004). Statoil (1986–2002) including HR and HMS Director Statoil Detaljhandel AS, Franchise and Competence Director Statoil Detaljhandel AS, Marketing Director Statoil AB, HR Director Statoil Detaljist AB, Administration Director Statoil AB.

# Internal control over financial reporting

This section has been prepared in accordance with the Code and the Annual Accounts Act, and describes the Company's internal control and risk management in relation to financial reporting. The aim is to provide shareholders and other stakeholders with an understanding of how internal control over financial reporting is organised within the Company.



**11** The Board of Directors is responsible for ensuring that ICA Gruppen has good internal control and routines to guarantee compliance with the adopted principles for financial reporting and internal control. The Board is also responsible for ensuring that financial reporting conforms to the Swedish Companies Act, applicable accounting standards and other requirements of listed companies.

**Model for internal control**

ICA Gruppen employs a model that has three “lines of defence” describing how responsibility for internal governance and control is organised. The first line of defence is management who, in their respective areas, are responsible for maintaining good internal control and in doing so, identifying and managing the risk of

errors in financial reporting. The second line of defence is the Group's risk and control functions, which are tasked with supporting the first line of defence and providing information to management. The third line of defence is the independent Internal Audit function, which is tasked with examining the efficiency and reliability of the Group's internal governance and control.

ICA Gruppen's internal control work is based on the internal control principles produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). These principles have five basic elements: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communication, and 5. Monitoring.

**1. Control environment**

A good control environment forms the foundation for an effective internal control system within a company. It is built on an organisation with clear decision paths, where authority and responsibilities have been distributed based on guidelines and where there is a corporate culture with shared values. The control environment is also affected by the individual employee's awareness of his or her role in the maintenance of good internal control. The Board's rules of procedure and the instructions for the CEO ensure a clear division of roles and responsibilities designed for effective control and management of operational risks. The Board has also adopted a number of basic guidelines and policies of significance for maintaining effective control, such as the delegation arrangements, the Financial Policy, Guarantee Policy, Sustainability Policy and Communication Policy.

## 2. Risk assessment

The Audit Committee is responsible for ensuring that significant risks of errors in financial reporting are identified and managed. Within ICA Gruppen there is continuous dialogue with each operating company to ensure good internal control and awareness of operational risks. For a description of the Group's risk and risk management see the section "Risk and risk management" on page 16.

## 3. Control activities

The Board is of the opinion that there is a solid understanding among the employees of the need for good control over financial reporting. ICA Gruppen's internal control structure is based on established policies and guidelines and regular reporting to the Board. The starting point for ICA Gruppen's internal control structure is the Group's business critical processes in which control activities have been implemented based on the assessed risk of errors.

The Company mainly uses three types of controls:

- Group-wide controls relating to the Company's adherence to the Group policies.
- Process controls for the Group's business critical processes. These are aimed at managing the risk of errors in each of the processes. The controls that manage the material risks of errors are classified as key controls and are included in the Group's regular monitoring of internal control.
- IT controls covering the IT processes, IT environment and IT applications that are critical from a financial or commercial perspective.

## 4. Information and communication

Efficient and correct communication of information, both internally and externally, is important for ensuring complete and accurate financial reporting at the right time. Policies, routines, handbooks and other documents of significance for financial reporting are updated and communicated to the relevant employees on an ongoing basis. The Group's Accounting function has direct operational responsibility for ongoing financial accounting and works to achieve consistent application of the Group's guidelines, principles and instructions for financial reporting. Subsidiaries and operating units provide regular financial reports and reports on operating activities to the Management Team, which in turn reports to the Board of Directors. The Communication Policy and associated guidelines ensure that external communication is correct and meets the requirements for companies listed on Nasdaq Stockholm. Financial information is provided regularly through annual reports, interim reports, press releases and notices on the Company's website, icagruppen.se.

## 5. Monitoring

The Board continually assesses the information submitted by the Management Team and the Audit Committee. The Audit Committee's work on monitoring the efficiency of internal control is of particular importance. As a part of the monitoring process, Internal Audit reports quarterly and Internal Control biannually to the Committee. Their reports describe any deficiencies identified in internal control and the plan of action established to deal with these. The monitoring process ensures that action is taken to remedy any deficiencies and that proposed measures arising from internal and external audits are heeded. In addition, the Management Team and the Internal Audit and Internal Control functions review and follow up as described in this section.

## Internal Control department

ICA Gruppen has an Internal Control department tasked with coordinating and supervising the process of internal governance and control within the Group. The Internal Control function is also responsible for contributing to and supporting all internal control work within ICA Gruppen. The process of internal control over financial reporting is aimed at managing the risk of material errors in financial reporting with a reasonable degree of certainty and in compliance with laws and regulations. Internal Control defines the business critical processes and key controls that are part of the Group's regular evaluation of internal control processes. The evaluation is based on a process of periodic self-evaluation. The results are compiled in reports submitted by Internal Control to the ICA Management Team.

# Auditor's Report

## TRANSLATION FROM THE SWEDISH ORIGINAL

To the annual meeting of the shareholders of ICA Gruppen AB, corporate identity number 556048-2837

### Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of ICA Gruppen AB for the year 2015. The annual accounts and consolidated accounts of the company are included on pages 2–3, 6–39 and 54–119.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### Opinions

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 2015 and of its financial performance and its cash flows 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 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.



We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

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

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of ICA Gruppen AB for the year 2015.

#### **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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### **Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of

the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

#### **Opinions**

We recommend to the annual meeting of shareholders that the profit 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.

Stockholm February 12, 2016

Ernst & Young AB

Erik Åström

Authorized Public Accountant

ICA Gruppen AB 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, Apotek Hjärtat, which conducts pharmacy operations, ICA Real Estate, which owns and manages properties and ICA Bank, which offers financial services. The Group also includes the companies Hemtex and inkClub.

[www.icagruppen.se](http://www.icagruppen.se)



**ICA Gruppen AB**  
171 93 Solna, Sweden  
Visiting address:  
Svetsarvägen 16  
Tel: +46 8 561 500 00  
[www.icagruppen.se](http://www.icagruppen.se)  
Corporate registration  
number  
556048-2837

**ICA Sverige AB**  
171 93 Solna, Sweden

Visiting address:  
Svetsarvägen 16  
Tel: +46 8 561 500 00

[www.ica.se](http://www.ica.se)

**ICA Norge AS**  
Postboks 6500  
Rodeløkka

0501 Oslo, Norway  
Visiting address:  
Sinselveien 45  
Tel: +47 23 05 50 00

[www.ica.no](http://www.ica.no)

**Rimi Baltic AB**  
A. Deglava Str 161  
1021 Riga, Latvia

[www.rimibaltic.com](http://www.rimibaltic.com)

**ICA Fastigheter AB**  
721 84 Västerås, Sweden

Visiting address:  
Ingenjör Bååths gata  
11, T2  
Tel: +46 21 19 30 00

[www.icafastigheter.se](http://www.icafastigheter.se)

**ICA Banken AB**  
171 93 Solna, Sweden

Visiting address:  
Svetsarvägen 16  
Tel: +46 8 561 500 00

[www.icabanken.se](http://www.icabanken.se)

**ICA Portföljbolagen**  
171 93 Solna, Sweden

Visiting address:  
Svetsarvägen 16  
Tel: +46 561 500 00

**Apoteksverksamheten**  
Visiting address: Solna Torg  
19, 6tr 171 45 Solna  
Tel: +46 10 499 00 00