

Point 18

The Board's proposal for establishment of guidelines for remuneration to senior executives

For the President and other senior executives of the company the guidelines for remuneration as approved by the 2011 Annual General Meeting apply. Other senior executives refers to the people who, together with the President, make up the Executive Management. From the evaluation by the Board it emerged that the guidelines had been followed, with certain adjustments as regards bonuses, and that they had functioned well.

The Board proposes that the guidelines below be approved by the 2012 Annual General Meeting for the period up until the end of the 2013 Annual General Meeting. Essentially these are the same as last year.

The guidelines shall be applied in agreements subsequently concluded.

Current terms of employment

The primary content of current employment agreements with senior executives is reported on pages 91-92, Note 7, of the company's 2011 Annual Report.

The Board's proposed guidelines

The company's forms of remuneration for senior executives shall be on market terms, be long-term and quantifiable, and promote Group unity. Improvements, including in earnings per share, shall be rewarded and there shall be a ceiling on variable remuneration. Total remuneration shall comprise the following components: fixed salary, pension benefits, severance pay, bonus, share-related incentive program and other remuneration and benefits.

Fixed salary: The fixed salary shall be on market terms and shall be based on competence, responsibility and performance.

Pension: For the President and other senior executives a defined-contribution pension plan shall apply, with the pension premiums amounting to a maximum of 35 percent of pensionable salary. The premiums are paid as long as employment in the company continues.

This guideline represents a departure from currently applicable agreements for certain senior executives that were concluded prior to the 2006 Annual General Meeting, which provide the right to retire on a pension at the age of 62 with a defined-benefit pension during the period up to the conventional pension age of 65 years.

The current pension terms for the company's President and other senior executives are reported on pages 91-92, Note 7 of the company's 2011 Annual Report.

Severance pay, etc.: A mutual notice period of six (6) months shall apply to senior executives. Severance pay to senior executives shall be paid at up to 18 months of fixed cash salary if the company terminates employment. The severance pay shall be deductible. In the event of notice of termination by the executive, if the company decides in certain cases to impose a contractual competition restriction the company shall pay a maximum of 60 percent of the fixed salary during the time the competition restriction is applicable. Severance pay and remuneration during the period of competition restriction shall not be pensionable.

This guideline represents a departure from the prevailing agreements for certain senior executives that were concluded prior to Hakon Invest's listing in 2005, which provide entitlement to nondeductible severance pay. The company's President is not entitled to severance pay.

Bonus:

The President and other senior executives shall be included in an annually recurring variable remuneration system taking the form of a cash bonus. The size of the bonus is maximized per person and year at the equivalent of six (6) months' salary for the President and four (4) months' salary for other senior executives. The bonus shall not be pensionable.

The Board shall determine the targets for the bonus system for each financial year. The targets shall be both quantitative and qualitative, and shall be based on factors that support the company's long-term strategy. The targets shall include one or more of the following factors:

- i. improvements in earnings per share in Hakon Invest¹ and other financial targets,
- ii. improved EBITA for ICA AB,
- iii. improved EBIT for Hakon Invest's portfolio companies,
- iv. measurable targets within the individual's area of responsibility, and
- v. specific operational targets at portfolio company level, based on the long-term business plan.

The bonus shall be determined by the Board based on an annual evaluation of the individual's performance relative to the targets. Payment of a bonus shall be conditional upon the underlying targets having been achieved in a way that is sustainable in the long term. The company shall be entitled to demand that a bonus is paid back if its payment was based on information which later proves to have been clearly incorrect.

For 2012, the proposal – on the basis of current employees – would entail the potential for a bonus for the President and the other three senior executives. Based on these employees and with the maximum payout, the cost of the 2012 bonus program would correspond to an expense, including social security payments, of around SEK

¹ The calculation of earnings per share refers to discontinued and continuing operations, which means that earnings per share for the 2011 financial year are SEK 0.62; in other words, earnings per share for continuing operations minus loss per share for discontinued operations (SEK 1.97 – SEK 1.35).

5.7 M. In the case of the President, who has a gross salary framework, the calculated monthly salary on which the bonus is based in 2012 amounts to SEK 338,000.

Share-related incentive program: The President and other senior executives shall be included in a combined share matching and performance-based share program that shall require investment to be made by the employee, with a three-year earnings period.

The program involves participants actively buying new shares (“Saving Shares”) at market price and locking up the Saving Shares for a period of three years. Assuming that the participant remains employed and still holds their Saving Shares, a right will be allotted that entitles the participant to obtain without payment what are known as Matching Shares. If certain clearly defined performance requirements have been met, further rights will be allotted that entitle the participant to obtain without payment what are known as Performance Based Shares. Shares will be allotted on the basis of Rights after three years. The maximum number of Saving Shares is 2,700 for the President and 2,000 each for other senior executives. The maximum number of Matching Shares is 2,700 for the President and 2,000 each for other senior executives, and the maximum number of Performance Based Shares is 8,100 for the President and 6,000 each for other senior executives. The total number of Matching and Performance Based Shares is maximized at 34,800 for the President and other senior executives. Based on a theoretical assumption of a yearly 10 percent increase in the share price and average fulfillment of the performance requirements for B-D rights of 50 percent, the total cost of the program for these participants is calculated as SEK 2.5 M, including SEK 0.9 M in social security payments.

See also point 19 of the proposed agenda.

Reasoning behind variable remuneration

The Board’s reasoning as regards the proposal for variable remuneration is primarily as follows: For the company to be able to recruit, motivate over the long term and retain senior executives, it is important to have a competitive remuneration package. This should focus on the Group and be linked to value-creation and changes in shareholder value.

Other remuneration and benefits: Other remuneration and benefits shall have a limited value in relation to total remuneration and correspond to what is normal on the market.

Special circumstances

The Board shall have the right to deviate from the guidelines proposed above if there is particular reason to do so.

Preparation

The proposals above were prepared by the Remuneration Committee within the company’s Board.
